

Liverpool City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



Liverpool City Council

General Purpose Financial Statements for the year ended 30 June 2017

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	79
– On the Conduct of the Audit (Sect 417 [3])	82

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Liverpool City Council.
- (ii) Liverpool City Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 25 October 2017. Council has the power to amend and reissue these financial statements.

Liverpool City Council

General Purpose Financial Statements

for the year ended 30 June 2017

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Liverpool City Council

General Purpose Financial Statements for the year ended 30 June 2017

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

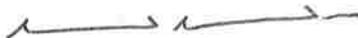
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these financial statements:

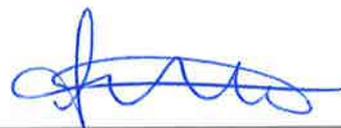
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 25 October 2017



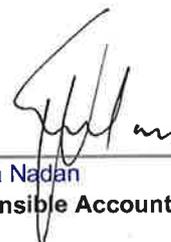
Wendy Waller
Mayor



Tina Ayyad
Deputy Mayor



Kiersten Fishburn
Chief Executive Officer



Vishwa Nadan
Responsible Accounting Officer

Liverpool City Council

Income Statement

for the year ended 30 June 2017

Original Budget ¹ 2017	\$ '000	Notes	Actual 2017	Restated Actual 2016
Income from continuing operations				
Revenue:				
118,842	Rates and annual charges	3a	118,869	112,950
17,019	User charges and fees	3b	19,345	16,193
4,518	Interest and investment revenue	3c	5,918	5,950
8,715	Other revenues	3d	10,471	20,145
15,800	Grants and contributions provided for operating purpose	3e,f	21,167	17,802
80,642	Grants and contributions provided for capital purposes	3e,f	107,676	101,501
Other income:				
1,014	Net gains from the disposal of assets	5	–	–
–	Net share of interests in joint ventures and associates using the equity method	19	737	369
246,550	Total income from continuing operations		284,183	274,910
Expenses from continuing operations				
60,312	Employee benefits and on-costs	4a	60,112	59,283
1,903	Borrowing costs	4b	1,877	2,067
54,952	Materials and contracts	4c	61,473	62,429
34,706	Depreciation and amortisation	4d	34,034	33,859
–	Impairment	4d	1,536	–
12,960	Other expenses	4e	14,745	10,484
–	Interest and investment losses	3c	–	–
–	Net losses from the disposal of assets	5	4,844	4,943
–	Net share of interests in joint ventures and associates using the equity method		–	–
164,833	Total expenses from continuing operations		178,621	173,065
81,717	Operating result from continuing operations		105,562	101,845
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
81,717	Net operating result for the year		105,562	101,845
81,717	Net operating result attributable to Council		105,562	101,845
–	Net operating result attributable to non-controlling interests		–	–
1,075	Net operating result for the year before grants and contributions provided for capital purposes		(2,114)	344

¹ Original budget as approved by Council – refer Note 16

Liverpool City Council

Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Restated Actual 2016
Net operating result for the year (as per Income Statement)		105,562	101,845
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of Infrastructure, Property, Plant & Equipment	20b (ii)	65,314	75,312
Total items which will not be reclassified subsequently to the operating result		65,314	75,312
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on revaluation of available for sale investments		–	–
Revised available for sale investment gains recognised in revenue		–	–
Total other comprehensive income for the year		65,314	75,312
Total comprehensive income for the year		170,876	177,157
Total comprehensive income attributable to Council		170,876	177,157
Total comprehensive income attributable to non-controlling interests		–	–

Liverpool City Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Restated Actual 2016	Restated 1st July 2015
ASSETS				
Current assets				
Cash and cash equivalents	6a	47,081	31,642	45,701
Investments	6b	24,015	17,004	9,000
Receivables	7	18,274	15,457	14,753
Inventories	8	86	70	67
Other	8	1,233	1,392	1,608
Non-current assets classified as 'held for sale'	22	–	–	–
Total current assets		90,689	65,565	71,129
Non-current assets				
Investments	6b	110,192	109,560	96,811
Receivables	7	24	120	200
Infrastructure, property, plant and equipment	9	2,330,949	2,174,259	1,991,367
Investments accounted for using the equity method	19	6,787	6,050	5,681
Investment property	14	–	16,000	10,640
Intangible assets	25	1,084	1,527	1,584
Inventories	8	–	–	–
Other		–	–	–
Total non-current assets		2,449,036	2,307,516	2,106,283
TOTAL ASSETS		2,539,725	2,373,081	2,177,412
LIABILITIES				
Current liabilities				
Payables	10	21,580	22,341	16,418
Income received in advance	10	1,178	831	–
Borrowings	10	6,890	7,395	6,669
Provisions	10	21,897	19,043	15,586
Total current liabilities		51,545	49,610	38,673
Non-current liabilities				
Payables	10	6,486	6,462	4,655
Borrowings	10	26,377	32,476	26,265
Provisions	10	2,057	2,149	2,592
Total non-current liabilities		34,920	41,087	33,512
TOTAL LIABILITIES		86,465	90,697	72,185
Net assets		2,453,260	2,282,384	2,105,227
EQUITY				
Retained earnings	20	1,606,856	1,501,294	1,399,449
Revaluation reserves	20	846,404	781,090	705,778
Other reserves		–	–	–
Council equity interest		2,453,260	2,282,384	2,105,227
Non-controlling equity interests		–	–	–
Total equity		2,453,260	2,282,384	2,105,227

This Statement should be read in conjunction with the accompanying Notes.

Liverpool City Council

Statement of Changes in Equity
for the year ended 30 June 2017

\$ '000	Notes	2017				2016					
		Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		1,501,294	781,090	2,282,384	–	2,282,384	1,549,037	705,778	2,254,815	–	2,254,815
a. Correction of prior period errors	20 (c)	–	–	–	–	–	(149,588)	–	(149,588)	–	(149,588)
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–
Revised opening balance (as at 1/7/16)		1,501,294	781,090	2,282,384	–	2,282,384	1,399,449	705,778	2,105,227	–	2,105,227
c. Net operating result for the year ⁽¹⁾		105,562	–	105,562	–	105,562	101,845	–	101,845	–	101,845
d. Other comprehensive income		–	65,314	65,314	–	65,314	–	75,312	75,312	–	75,312
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	65,314	65,314	–	65,314	–	75,312	75,312	–	75,312
Other comprehensive income		–	65,314	65,314	–	65,314	–	75,312	75,312	–	75,312
Total comprehensive income (c&d)		105,562	65,314	170,876	–	170,876	101,845	75,312	177,157	–	177,157
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–
Equity – balance at end of the reporting period		1,606,856	846,404	2,453,260	–	2,453,260	1,501,294	781,090	2,282,384	–	2,282,384

Liverpool City Council

Statement of Cash Flows

for the year ended 30 June 2017

Original Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
113,019	Rates and annual charges		118,691	113,218
14,746	User charges and fees		18,290	17,047
1,427	Investment revenue and Interest		5,698	7,283
79,564	Grants and contributions		69,369	67,345
–	Deposits and retention received		1,427	2,270
7,800	Other		20,773	21,289
Payments:				
(60,312)	Employee benefits and on-costs		(60,032)	(58,244)
(45,588)	Materials and contracts		(63,141)	(74,391)
(1,832)	Borrowing costs		(1,548)	(1,576)
–	Deposits and retention refunded		–	–
(12,625)	Other		(20,242)	(4,915)
96,199	Net cash provided (or used in) operating activities	11b	89,285	89,326
Cash flows from investing activities				
Receipts:				
–	Sale of investments		49,000	85,005
6,250	Sale of infrastructure, property, plant and equipment		1,083	3,645
–	Sale of interests in joint ventures and associates		–	–
–	Proceeds from boundary adjustments		–	–
–	Other		–	–
Payments:				
–	Purchase of investment securities		(56,463)	(105,885)
(98,210)	Purchase of infrastructure, property, plant and equipment		(60,497)	(92,669)
–	Purchase of interests in joint ventures and associates		–	–
–	Other		–	–
(91,960)	Net cash provided (or used in) investing activities		(66,877)	(109,904)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		–	13,000
–	Other		–	–
Payments:				
(6,722)	Repayment of borrowings and advances		(6,969)	(6,481)
–	Repayment of finance lease liabilities		–	–
–	Other		–	–
(6,722)	Net cash flow provided (used in) financing activities		(6,969)	6,519
(2,483)	Net increase/(decrease) in cash and cash equivalents		15,439	(14,059)
31,642	Plus: Cash and cash equivalents – beginning of reporting period	11a	31,642	45,701
29,159	Cash and cash equivalents – end of reporting period	11a	47,081	31,642

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2(a)	Council functions/activities – financial information	24
2(b)	Council functions/activities – component descriptions	25
3	Income from continuing operations	26
4	Expenses from continuing operations	30
5	Gains or losses from the disposal of assets	34
6(a)	Cash and cash equivalent assets	35
6(b)	Investments	35
6(c)	Restricted cash, cash equivalents and investments – details	36
7	Receivables	38
8	Inventories and other assets	39
9(a)	Infrastructure, property, plant and equipment	40
9(b)	Externally restricted infrastructure, property, plant and equipment	41
9(c)	Infrastructure, property, plant and equipment – current year impairments	41
10(a)	Payables, borrowings and provisions	42
10(b)	Description of (and movements in) provisions	43
11	Statement of cash flows – additional information	44
12	Commitments for expenditure	46
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	47
	13a (ii) Local government industry graphs (consolidated)	48
14	Investment properties	50
15	Financial risk management	51
16	Material budget variations	55
17	Statement of developer contributions	57
18	Contingencies and other liabilities/assets not recognised	61
19	Interests in other entities	65
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	68
21	Financial result and financial position by fund	70
22	'Held for sale' non-current assets and disposal groups	70
23	Events occurring after the reporting date	70
24	Discontinued operations	71
25	Intangible assets	71
26	Reinstatement, rehabilitation and restoration liabilities	71
27	Fair value measurement	72
28	Related party disclosures	77
 Additional council disclosures		
29	Council information and contact details	78

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Liverpool City Council in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act (1993)* and Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

Liverpool City Council is a not-for-profit entity for the purpose of preparing these financial statements.

(i) New and amended standards adopted by Council

AASB Related Party Disclosures was adopted during the year. The impact of this standard had no impact on reporting financial position or performance, however, all related party transactions required for disclosure have been included in Note 28.

(ii) Early adoption of accounting standards

Liverpool City Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (where applicable), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Liverpool City Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) Estimated fair values of infrastructure, property, plant and equipment;
- (ii) Estimated employee benefits, including self-insured workers compensation claims liability;
- (iii) Estimated hazardous waste remediation costs.

Significant judgements in applying Council's accounting policies include

- (i) Impairment of receivables – Council has made a significant judgement about the impairment of a number of its receivables in Note 7;
- (ii) Assessing condition of its infrastructure assets, their remaining useful lives, and estimating cost to bring them to satisfactory standard.

(b) Revenue recognition

Liverpool City Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it, and specific criteria have been met for each of the Council's activities as described below. Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

(i) Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets/ contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g). Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

Liverpool City Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *Environment Planning Act 1979*. Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules. A detailed note relating to developer contributions can be found at Note 17.

(ii) User charges, fees and other income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

(iii) Sale of infrastructure, property, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

(iv) Rents

Rental income is accounted for on a straight-line basis over the lease term.

(v) Interest

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

(vi) Other Income

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(c) Principles of consolidation

These financial statements represent the financial position and performance of Liverpool City Council at 30 June 2017.

For consolidation purposes, Liverpool City Council did not have management control over any other entity.

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the *Local Government Act 1993 (NSW)*, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund. At 30 June 2017, Council did not have any funds and/or property held in Trust.

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* as amended, a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Councils control have been included in these reports.

(iii) Interests in other entities

(a) Subsidiaries

Council has no interest in any subsidiaries.

(b) Joint operations

Council has no interest in any joint operations.

(c) Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Interests in joint ventures are accounted for using the equity method in accordance with *AASB128 Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council share of the

profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Councils share of the joint venture's gains or losses arising from transactions between itself and its joint ventures are eliminated.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

(d) Associates

Council has no interest in any associates.

(e) County councils

Council is not a member of any county councils.

(d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,
- other short-term, highly liquid investments with **original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

(g) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and

fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(h) Inventories

Council stocks common use items and the value of these items is stated at cost.

(i) Investments and other financial assets

(i) Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are designated in that manner at the time of acquisition. The assets are acquired on the basis of their financial return over the term to maturity, but are

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

made available for sale where the combination of the realised fair value and return on reinvested proceeds will deliver a return greater than can be achieved by holding the original asset to maturity. Assets in this category are classified under current assets as either cash equivalents where the original maturity is 90 days or less, or, as investments where the remaining maturity is up to 12 months in the future, or they are classified as non-current investments where the remaining maturity exceeds 12 months.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Council has no loans and receivables as at reporting date.

(iv) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(v) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Council did not at any time for the years presented hold any available-for-sale financial assets.

(vi) Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value and transaction costs are expensed in the Income Statement.

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

(vii) Subsequent measurement

Held-to-maturity investments are carried at amortised cost using the effective interest method. Financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit which they arise.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

(viii) Fair value

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date.

(ix) Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(x) Investment Policy

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the Local Government Act and s212 of the Local Government (General) Regulations 2005. Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council's investment principles as set out in its investment policy is "to maximise returns while paying due consideration to matters of risk, liquidity and security for its investment".

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(j) Internal and external restrictions on cash, cash equivalents and investments

Cash, cash equivalents and investments are restricted for prudent financial management purposes as follows:

- **Employee Leave Entitlements** – approximately 20% of the employee leave entitlement provision is set aside to fund extraordinary movements of staff. Normal annual payments of leave entitlements are funded from operating income.
- **Insurance** – savings on insurance premiums and excess set aside to pay unexpected claims at a future date.
- **Parking Strategy** – parking fees revenue collected in the city centre is set aside to fund initiatives that will improve car parking and transport in the CBD.
- **Moorebank Voluntary Acquisition** – cash set aside for acquisition of properties on a hazardous floodway alongside the Georges River.
- **Developer contributions** – 100% of cash Developer Contributions levied under Section 94 contribution plan, received but not yet expended in accordance with the contributions plan.
- **Unexpended grants** - 100% of cash grants received but not expensed during the year are treated as restricted funds
- **Domestic Waste** - Any cash surplus from operations is held as a restricted asset to fund future capital expenditure or process improvements to the Domestic Waste collection business
- **Stormwater management** – 100% of funds received through the stormwater levy are set aside for various structural and non-structural programs used to reduce urban stormwater pollution. Unspent funds are held as restricted assets.
- **Edmondson Park/ LIRS Reserves** – unspent funds at reporting date from borrowings for

Edmondson Park and other projects funded from borrowing under the Local Infrastructure Renewals Scheme are set aside to fund specific projects.

- **Environmental levy** – 100% cash collected from ratepayers are set aside to fund initiatives under Council's Environment Restoration Plan
- **City Development Fund** (formerly referred to as Town Improvement Fund) – 100% cash collected from this special rate levied on properties within Town Improvement District zone is set aside to fund special projects within the city precinct.

(k) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(I) Infrastructure, property, plant and equipment (I,PP&E)

(i) Acquisition of assets

Council's non-current assets are progressively revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At reporting date, the following classes of infrastructure, property, plant and equipment were stated at their fair value:

- Plant and equipment
(as approximated by depreciated historical cost)
- Office equipment
(as approximated by depreciated historical cost)
- Furniture & fittings
(as approximated by depreciated historical cost)
- Operational land (external valuation)
- Community land (external valuation – NSW Valuer-General)
- Land under roads (post 30 June 2008)
(Internal valuation)
- Land improvements
(as approximated by depreciated historical cost)
- Buildings – specialised/non-specialised
(external valuation)
- Other structures
(as approximated by depreciated historical cost)
- Road assets - roads, bridges and footpaths
(Internal valuation)
- Bulk earthworks (Internal valuation)
- Drainage assets (Internal valuation)
- Other open space/recreational assets
(Internal valuation)
- Other assets
(as approximated by depreciated historical cost)

(ii) Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

(iii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(iv) Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Desktop valuation of roads, bridges, footpaths and drainage assets was performed as at 30 June 2017 that resulted in indices applied to their carrying values. Council used producer price index to adjust the carrying amounts.

Full revaluations are undertaken for all assets on a 5-year cycle. Assets were last comprehensively revalued as per below:

Asset Class	Date
Property, plant and equipment, operational land, and buildings	30 June 2013
Roads, bridges, footpaths, drainage, bulk earth works, other road assets	30 June 2015
All other asset classes, other structures, land improvements	30 June 2016
Land under roads	30 June 2017
Community land	30 June 2017

(v) Capitalisation thresholds

Items of infrastructure, property, plant and equipment costing in excess of \$1000 are capitalised.

(vi) Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life. Land is not depreciated. Estimated useful lives for Council's I,PP&E include:

Plant and equipment	5 to 10 years
Office equipment	5 to 10 years
Furniture & fittings	5 to 10 years
Land improvements	100 years
Buildings	20 to 100 years
Other structures	3 to 20 years

Road assets	15 to 100 years
Bulk earthworks	Infinite
Drainage	100 years
Open space recreational assets	5 to 20 years
Other assets	5 to 20 years

All asset useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

(vii) Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(m) Dedicated Assets

Section 93F of the *Environment Planning Act 1979 (NSW)* provides NSW Councils a legal framework to enter into planning agreements. These are voluntary agreements where the developer may dedicate land, pay monetary contributions, or provide a material public benefit (or a combination of these) which the council must then apply toward a public purpose.

These assets are valued using unit rates from the latest valuation report.

The value of such assets received during the reporting year is included in the Income Statement as "Grants & Contributions provided for capital purposes" and forms part of Council's asset base at reporting date.

(n) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

This classification of land is disclosed in Note 9 (a).

(o) Land under roads

Land under roads is land under roadways and road reserves, including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 – Land Under Roads Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

Council uses average unit value of the land within council area to value land under roads. Land value is determined by the Valuer General and discounted by 90% to reflect the restricted use of land under roads.

The value of land under roads dedicated to Council in the current year is included in Income Statement as “Grants & Contributions provided for Capital Purposes” and forms part of Council’s asset base at reporting date.

(p) Intangible assets – IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs of employees’ time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might

be impaired. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

(q) Crown reserves

Crown reserves under Council’s care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council’s Income Statement.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(r) Rural fire service assets

Under section 119 of the *Rural Fires Act 1997*, ‘*all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed*’.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire services assets comprising plant and vehicles.

(s) Provision for Hazardous Waste Clean-up and Remediation Works (Site Contamination)

Various sites within the Liverpool LGA were identified as contaminated with hazardous waste and required appropriate Environmental Protection Authority (EPA) approved remediation procedures.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Costs of consultancy and remediation works carried out in priority areas have been recognised in the financial statements. Works on other sites are pending EPA approval. Provision is made for the estimated present value of these works.

The ultimate cost of remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. As a result there could be significant adjustments to the provision for clean-up and remediation works which would affect future financial results.

(t) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

(u) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(v) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(w) Borrowing costs

Borrowing costs are expensed. Council has assessed the net borrowing costs on qualifying assets incurred during the construction period that can be capitalised as not material.

(x) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

(y) Employee benefits

(i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than

4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

The last valuation of the scheme was performed by Richard Boyfield, FIAA on 2nd December 2016 and covers the period ended 30/06/16.

However the position is monitored annually and the actuary has estimated that as at 30 June 2017 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2017 was \$744,562.

The expected contributions to the fund for the next annual reporting period is \$722,180.

Additional contributions estimated to remain in place until 30 June 2020; i.e \$912,000 additional contributions remaining. However the trustee will be reviewing the financial position of the fund on an annual basis and will provide updates accordingly.

Council's share of the deficit cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member council. However the share of this deficit that can be broadly attributed to Council is estimated to be around 0.65%.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits,

and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30 June 2017.

(z) Self-insurance

Council has determined to self-insure for various risks, including public liability and professional indemnity.

A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10.

Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6 (c).

(aa) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, this being the Council's operational cycle. In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months.

(ab) Budget information

The Income Statement provides budget information on major income and expenditure items. Details of material budget variations (for income, expenditure and cash flows) are detailed in Note 16. Note 2 also provides budget information for revenues and expenses of each of Council's major activities. Budget figures provided are those approved by Council at the beginning of the financial year and do not reflect Council approved variations throughout the year. Budget information in the Financial Statements is not subject to audit.

(ac) Taxes

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax. Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the Australian Tax Office (ATO) are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the Australian Tax Office (ATO).

(ad) New accounting standards and Interpretations issued (not yet effective)

The following new Australian Accounting Standards, excluding standards considered not applicable or material to Liverpool City Council, are not mandated for adoption at 30 June 2017 and have not been applied. Assessment of the possible impact of these Standards are set out below.

(i) AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

This standard amends AASB 107 Statement of Cash Flows to require entities who are preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

There will be no impact on reported financial position or performance.

(ii) AASB 16 – Leases

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for in the Statement of Financial Position (i.e. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

Application of this Standard will likely have significant transitional impact as the a result of all leases, except short term (less than 12 months) and low value, being recognised in Statement of Financial Statement.

(iii) AASB 15 – Revenue from Contracts with Customers and associated amending standards

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

(iv) AASB 1058 Income of Not-for-Profit Entities

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contribution. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures. All revenue streams, including grant agreements, are currently being reviewed to determine the impact of AASB 1058.

Prepaid rates received prior to the beginning of a rating period will now be recognised as a financial liability until the commencement of the rating period.

(ae) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(af) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget 2017	Actual 2017	Restated Actual 2016	Original budget 2017	Actual 2017	Restated Actual 2016	Original budget 2017	Actual 2017	Restated Actual 2016	Actual 2017	Restated Actual 2016	Actual 2017	Restated Actual 2016
	Governance	–	–	–	2,102	1,787	1,858	(2,102)	(1,787)	(1,858)	–	–	–
CEO & Direct Report	–	4	–	3,521	6,763	4,794	(3,521)	(6,759)	(4,794)	–	–	–	–
Corporate Services	4,742	6,070	13,936	23,577	32,016	26,001	(18,835)	(25,946)	(12,065)	622	1,588	201,989	173,783
City Presentation	30,725	31,173	28,148	58,703	58,466	58,299	(27,978)	(27,293)	(30,151)	1,320	1,496	6,572	6,609
Community & Culture	8,816	9,907	9,673	28,794	28,991	26,318	(19,978)	(19,084)	(16,645)	4,080	4,168	–	–
Economic Development	–	64	–	1,213	928	1,264	(1,213)	(864)	(1,264)	–	–	–	–
Infrastructure & Environment	21,545	64,561	64,125	25,940	28,841	35,069	(4,395)	35,720	29,056	6,918	7,443	2,324,377	2,186,639
Property & Commercial Development	2,696	4,315	4,267	4,384	3,770	3,803	(1,688)	545	464	–	–	–	–
Planning & Growth	79,217	63,368	57,385	16,599	17,059	15,659	62,618	46,309	41,726	819	819	–	–
Total functions and activities	147,741	179,462	177,534	164,833	178,621	173,065	(17,092)	841	4,469	13,759	15,514	2,532,938	2,367,031
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	737	369	–	–	–	–	737	369	–	–	6,787	6,050
General purpose income ¹	98,809	103,984	97,007	–	–	–	98,809	103,984	97,007	14,104	9,912	–	–
Operating result from continuing operations	246,550	284,183	274,910	164,833	178,621	173,065	81,717	105,562	101,845	27,863	25,426	2,539,725	2,373,081

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 2(b). Council functions/activities – component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

Corporate Services

The Corporate Services division is responsible for business sustainability, including financial, workforce and information technology corporate systems, ethical governance, information management and statutory compliance functions including risk. It supports the Mayor, Councillors and senior executive team including driving Council's whole of organisation strategy and policy.

CEO & Direct Report

The functions of this division is to provide strategic leadership, guidance and implementation of Councils objectives in order to achieve Council's vision and to oversee the effective and efficient operation of the organisation.

City Presentation

The City Presentation division is responsible for delivering clean and well presented city and public spaces, including maintenance of Liverpool's city centre, parks and open spaces, roads, buildings, drains and streets.

Community and Culture

The Community and Culture division is responsible for delivering quality and efficeint services to the community, including customer services, culturla and arts centres, libraries, children's services and community and recreation facilities.

Economic Development

The Economy and Engagement division is responsible for building Liverpool's economy, engaging and communicating with the community, including community capacity building, events and fostering civic pride.

Infrastructure and Environment

The Infraststructure and Environment division is responsible for planning and delivering new infrastructure in the built environment, including transport related infrastructure and services, while balancing and protecting the natural environment.

Planning and Growth

The Planning and Growth division is responsible for leading, planning and managing development in Liverpool, including significant areas of residential, commercial and industrial growth across the local government area.

Property & Commercial Development

The property & Commercial Development division is responsible for the management of Council's property portfolio

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		66,984	64,355
Farmland		412	471
Business		20,023	19,566
Total ordinary rates		87,419	84,392
Special rates			
Environmental		1,600	1,561
Town improvement		1,490	1,489
Fire levy		–	445
Total special rates		3,090	3,495
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		26,811	23,552
Stormwater management services		1,434	1,401
Section 611 charges		115	110
Total annual charges		28,360	25,063
Total rates and annual charges		118,869	112,950
Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.			
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Nil			
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Animal impounding fees		115	33
Planning and building regulation		9,718	7,173
Regulatory/ statutory fees		703	684
Section 149 certificates (EPA Act)		529	564
Section 603 certificates		296	273
Other		19	–
Total fees and charges – statutory/regulatory		11,380	8,727
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Child care		3,131	3,011
Community hall rental		1,149	965
Leaseback fees – Council vehicles		22	54
Parking fees		3,282	3,077
Sports field hire		291	241
Other		90	118
Total fees and charges – other		7,965	7,466
Total user charges and fees		19,345	16,193

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		363	377
– Interest earned on investments (interest and coupon payment income)		5,375	5,697
– Interest (other)		–	8
Fair value adjustments			
– Fair valuation movements in investments (at Fair Value through Profit and Loss)		180	(132)
Total interest and investment revenue		5,918	5,950
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		363	377
General Council cash and investments		2,132	2,326
Restricted investments/funds – external:			
Development contributions			
– Section 94 – interest on investments		2,689	2,548
– Section 94 – share of fair value gain/(loss) on investments		93	(60)
Other externally restricted assets		641	759
Total interest and investment revenue recognised		5,918	5,950
(d) Other revenues			
Fair value increments – investment properties	14	–	9,360
Rental income – investment properties	14	245	648
Rental income – other council properties		2,273	2,544
Fines – parking		3,278	2,647
Fines – other		681	444
Legal fees recovery – other		–	38
Animal control		103	100
Compensation – easements		10	60
External works		1,163	1,132
Insurance claim recoveries		5	98
Long service levy commission		9	11
Photocopy income		93	78
Room hire		37	32
Sales – general		189	245
Sales – art galleries		160	266
Sales – printing services		5	4
Sales – recycling materials		983	619
Other (includes \$140k from NSW Treasury for the Fire Services Levy)		1,237	1,819
Total other revenue		10,471	20,145

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	10,179	7,071	–	–
Financial assistance – local roads component	3,123	2,028	–	–
Pensioners' rates subsidies – general component	802	813	–	–
Total general purpose	14,104	9,912	–	–
Specific purpose (tied)				
Pensioners' rates subsidies:				
– Domestic waste management	267	271	–	–
Aged care	32	31	–	–
Better waste and recycling	418	415	–	–
Bushfire and emergency services	189	209	–	–
Child care	3,139	2,888	–	–
Community care	79	206	–	–
Community centres	–	12	–	–
Cultural services	253	439	–	–
Drainage	13	63	63	1,451
Employment and training programs	–	63	–	–
Library	478	465	–	–
LIRS subsidy	622	554	–	–
Recreation and culture	13	18	–	–
Street lighting	765	1,485	–	–
Traffic route subsidy	115	117	–	–
Transport (other roads and bridges funding)	318	337	6,349	5,185
Other	109	6	537	1,299
Total specific purpose	6,810	7,579	6,949	7,935
Total grants	20,914	17,491	6,949	7,935
Grant revenue is attributable to:				
– Commonwealth funding	2,615	5,323	3,055	2,728
– State funding	18,159	11,837	3,845	5,207
– Other funding	140	331	49	–
	20,914	17,491	6,949	7,935

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Restated Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	42,510	39,213
Total developer contributions 17	–	–	42,510	39,213
Other contributions:				
Dedications (other than by S94)	–	–	52,337	49,524
Dedications of assets	–	–	2,170	2,861
Roads and bridges	–	–	–	401
Other	253	311	3,710	1,567
Total other contributions	253	311	58,217	54,353
Total contributions	253	311	100,727	93,566
Total grants and contributions	21,167	17,802	107,676	101,501

\$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	77,074	73,516
Add: grants and contributions recognised in the current period but not yet spent:	45,500	44,029
Less: grants and contributions recognised in a previous reporting period now spent	(20,202)	(40,471)
Net increase (decrease) in restricted assets during the period	25,298	3,558
Unexpended and held as restricted assets	102,372	77,074
Comprising:		
– Specific purpose unexpended grants	4,032	4,470
– Developer contributions	98,340	72,604
	102,372	77,074

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		49,247	48,981
Travel expenses		18	40
Employee leave entitlements (ELE)		7,409	7,640
Superannuation – defined contribution plans		4,950	5,214
Superannuation – defined benefit plans		450	508
Workers' compensation insurance		849	17
Fringe benefit tax (FBT)		516	409
Training costs (other than salaries and wages)		341	312
Other		1,592	1,231
Total employee costs		65,372	64,352
Less: capitalised costs		(5,260)	(5,069)
Total employee costs expensed		60,112	59,283
Number of 'full-time equivalent' employees (FTE) at year end		693	690
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,512	1,649
Total interest bearing liability costs expensed		1,512	1,649
(ii) Other borrowing costs			
Interest applicable on interest free (and favourable) loans to Council		365	418
Total other borrowing costs		365	418
Total borrowing costs expensed		1,877	2,067

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		72,084	68,822
Contractor and consultancy costs		88,354	111,556
Auditors remuneration ⁽¹⁾		172	121
Legal expenses:			
– Legal expenses: planning and development		1,320	569
– Legal expenses: other		863	507
Operating leases:			
– Operating lease rentals: minimum lease payments		1,440	1,346
Total materials and contracts		164,233	182,921
Less: capitalised costs		(102,760)	(120,492)
Total materials and contracts		61,473	62,429
1. Auditor remuneration			
(a) During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		172	90
Remuneration for audit and other assurance services		172	90
Total Auditor-General remuneration		172	90
(b) During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		–	31
Remuneration for audit and other assurance services		–	31
Total Auditor remuneration		172	121
2. Operating lease payments are attributable to:			
Computers		374	485
Motor vehicles		824	700
Other		242	161
		1,440	1,346

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		2,295	2,101
Office equipment		330	321
Furniture and fittings		163	163
Land improvements (depreciable)		5	5
Infrastructure:			
– Buildings – non-specialised		9,393	8,173
– Other structures		36	205
– Roads		12,226	15,477
– Stormwater drainage		3,514	4,272
Other assets			
– Heritage collections		164	192
– Library books		678	612
– Parks equipment		4,705	1,853
Intangible assets	25	525	485
Total depreciation and amortisation costs		34,034	33,859
Impairment			
– Operational land		1,536	–
Total impairment costs		1,536	–
<u>Total depreciation and impairment</u>		<u>35,570</u>	<u>33,859</u>

Depreciation for Roads, Infrastructure and Parks equipment were adjusted by \$1m to reflect change in accounting estimate relating to prior year.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		250	555
Bad and doubtful debts		48	38
Contributions/levies to other levels of government		–	
– Department of Planning levy		139	135
– Emergency services levy (includes FRNSW, SES, and RFS levies)		348	320
– NSW Fire Brigade levy		1,230	1,188
– NSW Rural Fire Service levy		243	319
– Sydney Water		585	470
– Australian communication authority		30	27
– Other contributions/levies		–	1
Councillor expenses – mayoral fee		64	57
Councillor expenses – councillors' fees		247	258
Councillors' expenses (incl. mayor) – other (excluding fees above)		90	70
Donations, contributions and assistance to other organisations (Section 356)		670	749
Donations, contributions and assistance -Other		57	70
Election expenses		876	–
Electricity and heating		1,543	973
Insurance		1,948	1,701
Street lighting		2,694	2,527
Subscriptions and publications		427	356
Telephone and communications		649	546
Fair Value Decrement Other (Land Under Roads...)		2,398	–
Other (includes \$20,000 for Fire Services Levy implementation costs)		209	124
<u>Total other expenses</u>		<u>14,745</u>	<u>10,484</u>

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		9	2,224
Less: carrying amount of property assets sold/written off		(10)	(5,788)
Net gain/(loss) on disposal		(1)	(3,564)
Plant and equipment			
Proceeds from disposal – plant and equipment		1,074	1,420
Less: carrying amount of plant and equipment assets sold/written off		(142)	(1,033)
Net gain/(loss) on disposal		932	387
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(5,677)	(1,771)
Net gain/(loss) on disposal		(5,677)	(1,771)
Financial assets*			
Proceeds from disposal/redemptions/maturities – financial assets		49,000	85,005
Less: carrying amount of financial assets sold/redeemed/matured		(49,000)	(85,000)
Net gain/(loss) on disposal		–	5
Other – Library Books			
Proceeds from disposal – Other – Library Books		–	–
Less: carrying amount of Other – Library Books assets sold/written off		(98)	–
Net gain/(loss) on disposal		(98)	–
Net gain (or loss) from disposal of assets		(4,844)	(4,943)
* Financial assets disposals/redemptions include:			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		–	5
Net gain/(loss) on disposal of financial instruments		–	5

Liverpool City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		2,412	–	11,794	–
Cash-equivalent assets ¹					
– Deposits at call		15,626	–	4,737	–
– Managed funds		11,043	–	1,000	–
– Short-term deposits		18,000	–	14,111	–
Total cash and cash equivalents		47,081	–	31,642	–
Investments (Note 6b)					
– Long term deposits		9,000	51,000	15,000	49,000
– NCD's, FRN's (with maturities > 3 months)		15,015	57,513	2,004	58,696
– Mortgage backed securities		–	1,679	–	1,864
Total investments		24,015	110,192	17,004	109,560
Total cash assets cash equivalents and investments		71,096	110,192	48,646	109,560
¹ Those investments where time to maturity (from date of purchase) is < 3 mths.					
Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:					
Cash and cash equivalents					
a. 'At fair value through the profit and loss'		47,081	–	31,642	–
Investments					
a. 'At fair value through the profit and loss'					
– 'Designated at fair value on initial recognition'		15,015	59,192	2,004	60,560
b. 'Held to maturity'		9,000	51,000	15,000	49,000
Investments		24,015	110,192	17,004	109,560

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details

	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	71,096	110,192	48,646	109,560
attributable to:				
External restrictions (refer below)	14,767	110,192	–	98,507
Internal restrictions (refer below)	8,093	–	4,590	11,053
Unrestricted	48,236	–	44,056	–
	71,096	110,192	48,646	109,560
2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Details of restrictions				
External restrictions – included in liabilities				
Nil				
External restrictions – other				
Developer contributions – general (D)	72,604	41,375	(15,639)	98,340
Specific purpose unexpended grants (F)	4,470	113	(438)	4,032
Domestic waste management (G)	6,631	26,475	(22,173)	10,933
Stormwater management (G)	–	1,356	(1,118)	238
Edmondson park reserve (unexpended loan)	2,441	78	–	2,519
Environmental levy	3,638	1,646	(1,275)	4,009
Other contributions reserve	1,589	134	(696)	1,027
City Development Fund (previously TIF)	3,007	1,554	(1,320)	3,241
Waste and sustainability reserve	213	–	(213)	–
LIRS reserve	978	20	(998)	–
LIRS reserve (CDF)	2,284	36	(2,217)	103
Better waste and recycling reserve	652	418	(783)	287
Collingwood House Restoration Works	–	230	–	230
External restrictions – other	98,507	73,435	(46,870)	124,959
Total external restrictions	98,507	73,435	(46,870)	124,959

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

G Domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Employees leave entitlement	3,057	3	–	3,060
Insurance reserve	1,795	1	–	1,796
Moorebank voluntary acq reserve	453	451	–	904
Parking strategy reserve	2,907	1,409	(2,901)	1,415
General property reserve	7,431	1,099	(7,612)	918
Total internal restrictions	15,643	2,963	(10,513)	8,093
Total restrictions	114,150	76,398	(57,383)	133,052

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		4,912	24	4,638	120
Interest and extra charges		410	–	296	–
User charges and fees		4,561	–	2,612	–
Accrued revenues					
– Interest on investments		2,068	–	2,142	–
– Other income accruals		2,732	–	2,903	–
Government grants and subsidies		1,727	–	584	–
Net GST receivable		1,963	–	2,368	–
Other debtors		109	–	104	–
Total		18,482	24	15,647	120
Less: provision for impairment					
User charges and fees		(208)	–	(190)	–
Total provision for impairment – receivables		(208)	–	(190)	–
Total net receivables		18,274	24	15,457	120
Externally restricted receivables					
– Domestic waste management		1,235	–	1,079	–
– Town improvement		37	–	34	–
– Environmental levy		75	–	70	–
Total external restrictions		1,347	–	1,183	–
Internally restricted receivables					
Nil					
Unrestricted receivables		16,927	24	14,274	120
Total net receivables		18,274	24	15,457	120

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.0% (2016 8.5%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Liverpool City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		86	–	70	–
Total inventories at cost		86	–	70	–
(ii) Inventories at net realisable value (NRV)					
Nil					
Total inventories		86	–	70	–
(b) Other assets					
Prepayments		1,233	–	1,392	–
Total other assets		1,233	–	1,392	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Other disclosures

Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Liverpool City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016 Restated			Asset movements during the reporting period						as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	WIP transfers	Revaluation increments /decrements	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Plant and equipment	20,045	13,436	6,609	–	(142)	(2,295)	–	2,399	–	19,878	13,306	6,572
Office equipment	4,509	3,196	1,313	–	–	(330)	–	393	–	4,902	3,526	1,376
Furniture and fittings	2,825	1,682	1,143	–	–	(163)	–	143	–	2,968	1,845	1,123
Land:												
– Operational land	173,069	–	173,069	16,000	–	–	(1,491)	1,596	–	189,174	–	189,174
– Community land	293,860	–	293,860	4,736	–	–	(45)	1,283	58,130	357,964	–	357,964
– Land under roads (post 30/6/08)	13,863	–	13,863	2,198	–	–	–	2,436	(2,398)	16,099	–	16,099
Land improvements – non-depreciable	16,618	–	16,618	–	–	–	–	243	–	16,861	–	16,861
Land improvements – depreciable	342	29	313	–	–	(5)	–	–	–	342	35	307
Infrastructure:												
– Buildings – non-specialised	286,931	139,339	147,592	–	(10)	(9,393)	–	36,394	–	323,223	148,639	174,584
– Other structures	5,024	629	4,395	123	–	(36)	–	–	–	5,147	666	4,481
– Roads	1,195,079	200,855	994,224	31,248	(4,160)	(12,226)	–	32,763	5,176	1,258,594	211,568	1,047,026
– Bulk earthworks (non-depreciable)	14	–	14	–	–	–	–	(14)	–	–	–	–
– Stormwater drainage	476,113	85,224	390,889	18,300	(84)	(3,514)	–	7,917	2,008	502,075	86,559	415,516
Other assets:												
– Heritage collections	1,654	722	932	–	–	(164)	–	–	–	1,654	886	768
– Library books	6,214	4,017	2,197	–	(97)	(678)	–	785	–	5,964	3,757	2,207
– Other (capital WIP)	60,985	–	60,985	62,138	–	–	–	(96,197)	–	26,925	–	26,925
– Parks equipment	80,985	14,742	66,243	3	(1,434)	(4,705)	–	9,859	–	87,641	17,675	69,966
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,638,130	463,871	2,174,259	134,746	(5,927)	(33,509)	(1,536)	–	62,916	2,819,411	488,462	2,330,949

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Class of asset						
Domestic waste management						
Plant and equipment	1,701	1,471	230	1,701	1,203	498
Total DWM	1,701	1,471	230	1,701	1,203	498
TOTAL RESTRICTED I,PP&E	1,701	1,471	230	1,701	1,203	498

Note 9c. Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	Actual 2017	2016
Impairment losses recognised in the Income Statement:			
Operational Land carrying value exceeding net realisable value		(1,491)	–
Community Land purchased in current period exceeding VG value		(45)	–
Total impairment losses		(1,536)	–
Impairment of assets -gains/(losses) in the Income Stateme	4(d)	(1,536)	–

Liverpool City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		13,904	–	9,409	–
Accrued expenses:					
– Borrowings		94	–	130	–
– Other expenditure accruals		4,476	–	11,145	–
Advances		46	–	–	–
Security bonds, deposits and retentions		3,060	6,486	1,657	6,462
Total payables		21,580	6,486	22,341	6,462
Income received in advance					
Payments received in advance		1,178	–	831	–
Total income received in advance		1,178	–	831	–
Borrowings					
Loans – secured ¹		6,069	26,377	6,675	32,476
Ratepayers' advances		821	–	720	–
Total borrowings		6,890	26,377	7,395	32,476
Provisions					
Employee benefits:					
Annual leave		4,963	–	5,225	–
Sick leave		148	–	256	–
Long service leave		10,057	397	10,077	319
Other leave		392	–	–	–
Sub-total – aggregate employee benefits		15,560	397	15,558	319
Self insurance – workers compensation		410	1,660	650	1,830
Site Contamination		4,000	–	2,645	–
Other		1,927	–	190	–
Total provisions		21,897	2,057	19,043	2,149
Total payables, borrowings and provisions		51,545	34,920	49,610	41,087
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Interest Free and LIRS borrowings		3,192	18,172	2,000	21,360
Liabilities relating to externally restricted assets		3,192	18,172	2,000	21,360
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		3,192	18,172	2,000	21,360
Total liabilities relating to unrestricted assets		48,353	16,748	47,610	19,727
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		51,545	34,920	49,610	41,087

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	9,051	9,335
Payables – security bonds, deposits and retentions	765	1,657
	9,816	10,992

Note 10b. Description of and movements in provisions

Class of provision	2016	2017				Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Self insurance	2,480	–	–	–	(410)	2,070
Site Contamination	2,645	4,000	(2,645)	–	–	4,000
Other	190	1,737	–	–	–	1,927
TOTAL	5,315	5,737	(2,645)	–	(410)	7,997

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.
- c. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Restated Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	47,081	31,642
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		47,081	31,642
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		105,562	101,845
Adjust for non-cash items:			
Depreciation and amortisation		34,034	33,859
Net losses/(gains) on disposal of assets		4,844	4,943
Non-cash capital grants and contributions		(58,331)	(53,306)
Impairment losses recognition – I,PP&E		1,536	–
PP&E revaluation decrements costed direct to the P&L		2,398	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(180)	132
– Investment properties		–	(9,360)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair value)		365	418
Share of net (profits) or losses of associates/joint ventures		(737)	(369)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,739)	(591)
Increase/(decrease) in provision for doubtful debts		18	(33)
Decrease/(increase) in inventories		(16)	(3)
Decrease/(increase) in other assets		159	216
Increase/(decrease) in payables		4,495	(2,428)
Increase/(decrease) in accrued interest payable		(36)	73
Increase/(decrease) in other accrued expenses payable		(6,669)	8,495
Increase/(decrease) in other liabilities		1,820	2,421
Increase/(decrease) in employee leave entitlements		80	1,039
Increase/(decrease) in other provisions		2,682	1,975
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		89,285	89,326

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Dedications		54,507	52,385
Section 94 Contribution in Kind		3,824	921
Total non-cash investing and financing activities		58,331	53,306
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		500	500
Credit cards/purchase cards		550	550
Bank Guarantees		2,500	2,171
Total financing arrangements		3,550	3,221

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

(e) Bank guarantees

At reporting date, the following bank guarantees were provided:

- State Insurance Regulatory Authority \$1.78 million (workers compensation)
- Sydney Water Corporation \$0.491 million (water mains bonds various locations)

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		1,846	3,360
Plant and equipment		273	–
Car Parks		–	926
Drainage		269	48
Parks		263	11,568
Roads		613	4,505
CBD Revitalisation		5,288	5,145
Other – IT Equipment		95	–
Total commitments		8,647	25,552
These expenditures are payable as follows:			
Within the next year		8,647	25,552
Total payable		8,647	25,552
Sources for funding of capital commitments:			
Unrestricted general funds		6,942	14,432
Sect 64 and 94 funds/reserves		156	3,889
Unexpended grants		849	1,334
Externally restricted reserves		224	4,260
Internally restricted reserves		476	1,637
Total sources of funding		8,647	25,552
(b) Finance lease commitments			
Nil			
(c) Operating lease commitments (non-cancellable)			
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:			
Within the next year		1,126	898
Later than one year and not later than 5 years		1,168	1,761
Later than 5 years		–	–
Total non-cancellable operating lease commitments		2,294	2,659
b. Non-cancellable operating leases include the following assets:			
Office Rentals, Motor Vehicle Leases and Property Lease			
Contingent Rentals may be payable depending on the condition of items or usage during the lease term.			
Conditions relating to operating leases:			
– All operating lease agreements are secured only against the leased asset.			
– No lease agreements impose any financial restrictions on Council regarding future debt etc.			

Liverpool City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>4,211</u>	2.40%	-2.63%	-0.69%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>175,590</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>154,423</u>	54.52%	55.03%	52.36%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>283,266</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>74,575</u>	1.94x	1.76x	2.59x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>38,537</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>41,658</u>	4.71x	3.70x	4.02x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>8,846</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>5,346</u>	4.30%	4.25%	4.87%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	<u>124,286</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>107,081</u>	8.46 mths	7.9 mths	10.0 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>12,661</u>				

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

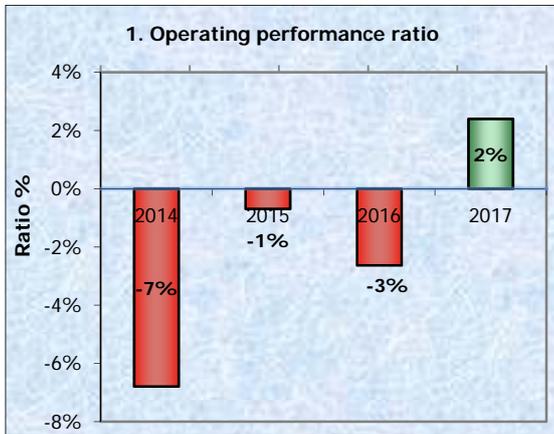
⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Liverpool City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

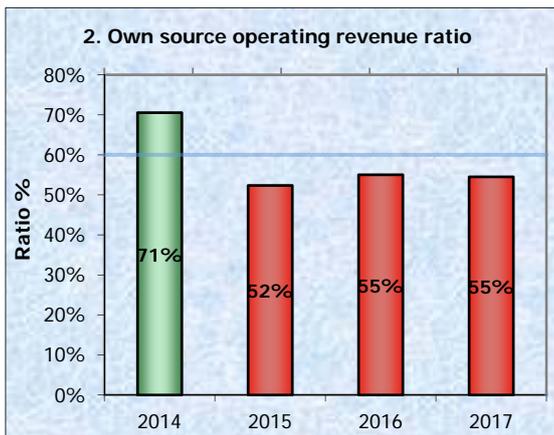
Commentary on 2016/17 result

2016/17 ratio 2.40%

The Operating Performance Ratio improved from previous years mainly as a result of tight budgetary controls put in place during the year. The positive impact of \$4.5m Financial Assistance Grant received in advance was offset by \$4m provision created for hazardous waste remediation.

Benchmark: Minimum $\geq 0.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2016/17 result

2016/17 ratio 54.52%

The Own Source Operating Revenue Ratio was adversely impacted by recognition of \$54.5 million non-cash contribution from developers comprising of land development infrastructure assets. Adjusting for this, the ratio of 66.9% is above the benchmark.

Benchmark: Minimum $\geq 60.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2016/17 result

2016/17 ratio 1.94x

The Unrestricted Current Ratio (liquidity ratio) improved from previous period and remained above the industry benchmark. This ratio measures Council's ability to meet short term obligations from unrestricted current assets as they fall due.

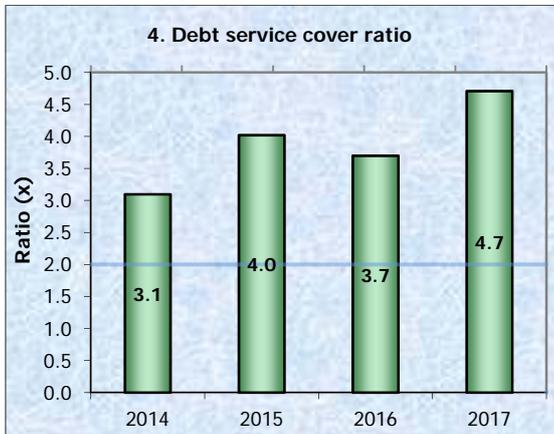
Benchmark: Minimum ≥ 1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark

Liverpool City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

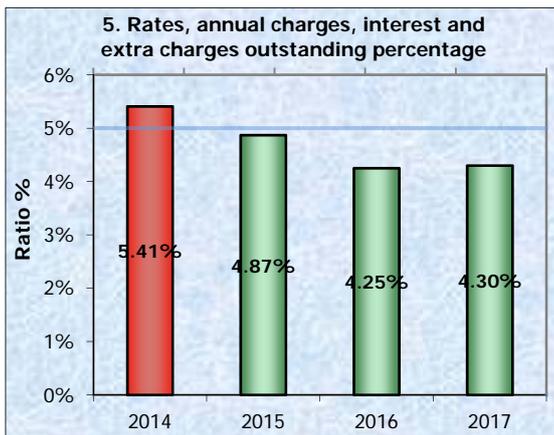
Commentary on 2016/17 result

2016/17 ratio 4.71x

The Debt Service Cover Ratio indicates Council's ability to service its debt obligation by at least 4.7 times more than annual principal and interest payments on its loans.

Benchmark: Minimum ≥ 2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

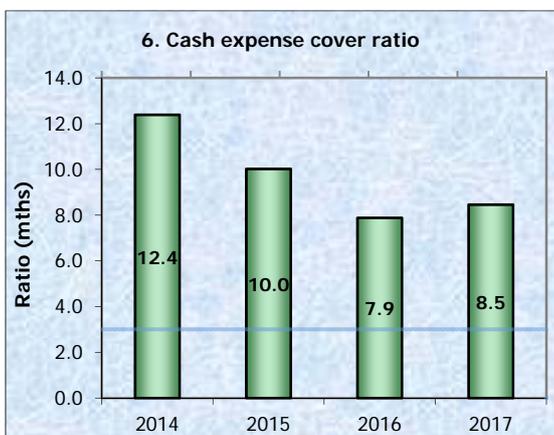
Commentary on 2016/17 result

2016/17 ratio 4.30%

The Rates and Annual Charges Outstanding Percentage Ratio remained below the industry benchmark. Indicating timely and effective recovery actions and processes are in place.

Benchmark: Maximum $< 5.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark
Ratio is outside Benchmark



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2016/17 result

2016/17 ratio 8.46 mths

The Cash Expense Cover Ratio indicates that Council has about 8.5 months cash reserves necessary to pay for its ongoing Operating Expenses without additional cash inflows.

Benchmark: Minimum ≥ 3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
(a) Investment properties at fair value			
Investment properties on hand			
		–	16,000
Reconciliation of annual movement:			
Opening balance		16,000	10,640
– Net gain/(loss) from fair value adjustments		–	9,360
– Transfers from/(to) owner occupied (Note 9)		(16,000)	(4,000)
CLOSING BALANCE – INVESTMENT PROPERTIES		–	16,000
(b) Valuation basis			
The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
(c) Contractual obligations at reporting date			
Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.			
(d) Investment property income and expenditure – summary			
Rental income from investment properties:			
– Minimum lease payments		245	648
Net revenue contribution from investment properties		245	648
plus:			
Fair value movement for year		–	9,360
Total income attributable to investment properties		245	10,008

Refer to Note 27. Fair value measurement for information regarding the fair value of investment properties held.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management

\$ '000

Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	47,081	31,642	47,081	31,642
Investments				
– 'Designated at fair value on initial recognition'	74,207	62,564	74,207	60,560
– 'Held to maturity'	60,000	64,000	60,000	66,004
Receivables	18,298	15,577	18,298	15,616
Total financial assets	199,586	173,783	199,586	173,822
Financial liabilities				
Payables	28,066	28,803	27,941	26,036
Loans/advances	33,267	39,871	26,190	26,655
Total financial liabilities	61,333	68,674	54,131	52,691

Fair value is determined as follows:

- **Cash** and **cash equivalents**, **receivables**, **payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 10% movement in market values	7,420	7,420	(7,420)	(7,420)
Possible impact of a 1% movement in interest rates	1,704	1,704	(1,704)	(1,704)
2016				
Possible impact of a 10% movement in market values	6,056	6,056	(6,056)	(6,056)
Possible impact of a 1% movement in interest rates	1,660	1,660	(1,660)	1,660

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	70%	0%	69%
Overdue	100%	30%	100%	31%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	447	8,563	–	7,367
< 1 year overdue	3,940	3,219	3,511	2,451
1 – 2 years overdue	–	1,028	534	167
2 – 5 years overdue	584	63	667	26
> 5 years overdue	375	287	342	702
	5,346	13,160	5,054	10,713
(iii) Movement in provision for impairment of receivables			2017	2016
Balance at the beginning of the year			190	223
+ new provisions recognised during the year			49	38
– amounts already provided for and written off this year			(31)	(71)
Balance at the end of the year			208	190

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	9,546	18,519	–	–	–	–	–	28,065	28,066
Loans and advances	–	7,342	6,843	6,130	4,530	4,530	8,284	37,659	33,267
Total financial liabilities	9,546	25,861	6,843	6,130	4,530	4,530	8,284	65,724	61,333
2016									
Trade/other payables	8,119	20,684	–	–	–	–	–	28,803	28,803
Loans and advances	–	8,623	7,342	6,843	6,130	4,530	12,897	46,365	39,871
Total financial liabilities	8,119	29,307	7,342	6,843	6,130	4,530	12,897	75,168	68,674

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	28,066	0.00%	28,803	0.00%
Loans and advances – fixed interest rate	33,267	4.16%	39,871	4.01%
	61,333		68,674	

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

Council's original financial budget for 2016-17 was adopted by the Council on 29 June 2016.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	118,842	118,869	27	0%	F
User charges and fees	17,019	19,345	2,326	14%	F
The variation is mainly due to increase in planning & building regulatory fees which is consistent with growth in Liverpool Local Government Area.					
Interest and investment revenue	4,518	5,918	1,400	31%	F
The variation is mainly due to higher than planned monthly average portfolio holdings throughout the year					
Other revenues	8,715	10,471	1,756	20%	F
The variation mainly comprised of the following: + \$1.500m increase in parking and other fines + \$0.490m increase in sale of recycled materials					
Operating grants and contributions	15,800	21,167	5,367	34%	F
The variation mainly comprised of the following: + \$4.5m advance receipt on 2017-18 Financial Assistance Grant + \$0.31m increase on childcare operating grant + \$0.440m increase in RMS Public Street Lighting grant					
Capital grants and contributions	80,642	107,676	27,034	34%	F
The variation mainly comprised of the following: + \$54.5m unbudgeted non-cash developers dedication of land development assets and land under roads + 1.231m unbudgeted RFS contributions towards Middleton Grange Rural Fire Station + \$1.141m unbudgeted RMS footpath & cycleway grants - \$12.3m delay in completion of in-kind developer works - \$10.812m deferred NSW Department of Planning grant for Bernera Road extension & Croatia Avenue - \$7.5 m lower than expected s94 contributions					
Net gains from disposal of assets	1,014	–	(1,014)	(100%)	U
Council posted a net loss position at 30 June					
Joint ventures and associates - net profits	–	737	737	100%	F
No provision was included in budget due to high level of uncertainties					

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	60,312	60,112	200	0%	F
Borrowing costs	1,903	1,877	26	1%	F
Materials and contracts	54,952	61,473	(6,521)	(12%)	U
The variance mainly comprised of the following:					
-\$3.5m Liverpool Service Alliance contract termination fees paid to Propel Partnerships					
-\$3.4m provision for hazardous waste remediation costs					
Depreciation and amortisation	34,706	34,034	672	2%	F
Impairment expenses	–	1,536	(1,536)	(100%)	U
Adjustment mainly relates to carrying value of land allocated for developer works at 52 Scott Street to commensurate developer rights fees payable to Council.					
Other expenses	12,960		(1,785)	(14%)	U
The variation mainly relates to fair value decrement recognised on “land under roads” acquired during the year.					
Net losses from disposal of assets	–		(4,844)	(100%)	U
The variation mainly relates to scrapping of road surface component required during the road renewal works. No provision was included in budget due to high level of uncertainties					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	96,199	89,285	(6,914)	(7.2%)	U
Cash flows from investing activities	(91,960)	(66,877)	25,083	(27.3%)	F
The variation is mainly due to net of cash movements between acquisition and disposal (on maturity) of investments					
Cash flows from financing activities	(6,722)	(6,969)	(247)	3.7%	U

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Fair Value and Other Adjustments	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash						
Drainage	20,107	6,157	528	6	165	(2,985)	(16,477)	7,501	(16,477)
Roads & Traffic Facilities	14,235	10,346	2,002	13	432	(6,959)	(18,179)	1,890	(18,179)
Parking	3,142	1,001	–	2	82	(88)	(181)	3,958	(181)
Open space	–	–	–	–	1	–	–	1	–
Community facilities	–	35	–	–	–	–	–	35	–
Local Open Space	11,231	11,669	750	17	523	(3,431)	(128)	20,631	(128)
Embellishment of Local Open Space	16,181	6,507	336	16	450	(3,433)	727	20,784	727
Community Facilities (Local)	7,534	1,411	136	9	212	(2,374)	20,787	27,715	20,787
Community Facilities (District)	(10,846)	256	–	20	547	(7)	14,478	4,448	14,478
Tree Planting Other	7,630	90	–	6	149	(11)	(1,471)	6,393	(1,471)
Professional & Legal Fees (Other)	1,747	269	25	1	43	(46)	(133)	1,906	(133)
Administration Fees	20	225	11	–	1	(222)	(1,244)	(1,209)	(1,244)
Implementation	1,623	76	36	3	84	–	1,821	3,643	1,821
Other- Moorebank Intermodal	–	644	–	–	–	–	–	644	–
S94 contributions – under a plan	72,604	38,686	3,824	93	2,689	(19,556)	–	98,340	–
Total S94 revenue under plans	72,604	38,686	3,824	93	2,689	(19,556)	–	98,340	–
Total contributions	72,604	38,686	3,824	93	2,689	(19,556)	–	98,340	–

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Liverpool City Centre Contribution Plan

PURPOSE	Opening balance	Contributions received during the year		Fair Value and Other Adjustments	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash						
Parking	3,142	1,001	–	2	82	(88)	(181)	3,958	(181)
Community Facilities (District)	274	35	–	–	7	–	–	316	–
Embellishment of Local Open Space	7,548	2,426	–	7	169	(2,483)	–	7,667	–
Administration Fees	3	–	–	–	–	–	–	3	–
Total	10,967	3,462	–	9	258	(2,571)	(181)	11,944	(181)

CONTRIBUTION PLAN - 2009 Plan

PURPOSE	Opening balance	Contributions received during the year		Fair Value and Other Adjustments	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash						
Drainage	16,970	2,776	351	3	68	(1,817)	(16,567)	1,784	(16,567)
Roads & Traffic Facilities	4,513	2,190	398	4	109	(2,582)	(19,301)	(14,669)	(19,301)
Local Open Space	3,975	3,263	7	10	293	(298)	2,146	9,396	2,146
Community Facilities (Local)	3,814	717	1	6	110	(2,374)	20,921	23,195	20,921
Community Facilities (District)	(11,120)	221	–	20	540	(7)	14,478	4,132	14,478
Embellishment of Local Open Space	5,410	2,033	1	6	168	(497)	866	7,987	866
Tree Planting Other	7,630	90	–	6	149	(11)	(1,471)	6,393	(1,471)
Professional & Legal Fees (Other)	1,436	79	4	1	33	(9)	(112)	1,432	(112)
Administration Fees	100	111	5	–	1	(95)	(1,071)	(949)	(1,071)
Implementation	1,623	76	36	3	84	–	1,821	3,643	1,821
Total	34,351	11,556	803	59	1,555	(7,690)	1,710	42,344	1,710

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Edmondson Park

PURPOSE	Opening balance	Contributions received during the year		Fair Value and Other Adjustments	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash						
Drainage	3,116	1,718	177	3	93	(673)	90	4,524	90
Roads & Traffic Facilities	9,716	7,741	1,349	9	321	(4,122)	1,122	16,136	1,122
Local Open Space	8,819	6,357	743	7	230	(3,133)	(2,274)	10,749	(2,274)
Community Facilities (Local)	3,720	694	135	3	102	–	(134)	4,520	(134)
Embellishment of Local Open Space	3,216	1,945	335	3	112	(453)	(139)	5,019	(139)
Professional & Legal Fees (Other)	311	190	21	–	10	(37)	(21)	474	(21)
Administration Fees	(83)	77	6	–	–	(127)	(173)	(300)	(173)
Total	28,815	18,722	2,766	25	868	(8,545)	(1,529)	41,122	(1,529)

CONTRIBUTION PLAN - Austral Leppington North

PURPOSE	Opening balance	Contributions received during the year		Fair Value and Other Adjustments	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash						
Drainage	21	1,663	–	–	4	(495)	–	1,193	–
Roads & Traffic Facilities	6	415	255	–	2	(255)	–	423	–
Open space	–	–	–	–	1	–	–	1	–
Local Open Space	(1,563)	2,049	–	–	–	–	–	486	–
Embellishment of Local Open Space	7	103	–	–	1	–	–	111	–
Administration Fees	–	37	–	–	–	–	–	37	–
Community facilities	–	35	–	–	–	–	–	35	–
Total	(1,529)	4,302	255	–	8	(750)	–	2,286	–

Liverpool City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER - Moorebank Intermodal

PURPOSE	Opening balance	Contributions received during the year		Fair Value and Other Adjustments	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash						
Other Moorebank Intermodal	–	644	–	–	–	–	–	644	–
Total	–	644	–		–	–	–	644	–

Liverpool City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

I. Defined Benefit Superannuation Contribution Plans

(a) Funding agreements and method used to determine the entity's rate of contributions and any minimum funding requirements

Council participates in the pooled employer sponsored defined benefits of the Local Government Superannuation Scheme.

Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contribution
Division C	2.5 salaries
Division D	1.64 times employee contribution

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million from 1 July 2016 for 4 years to 30 June 2020, apportioned according to each employer's share of the accrued liabilities as at 30 June 2016. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2016

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

(b) Extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, or full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

(c) Description of any agreed allocation of a deficit or surplus on:

(i) Wind-up of the plan

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

(ii) The entity's withdrawal from the plan

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

(d) Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan:

- (i) The fact that the plan is a defined benefit plan.
- (ii) The reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.
 1. Assets are not segregated within the sub-group according to the employees of each sponsoring employer;
 2. The contribution rates have been the same for all sponsoring employers and have not varied for each employer according to the experience relating to the employees of that employer;
 3. Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

4. The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by the members).

As such there is insufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would be for a single employer sponsored defined benefit plan

- (iii) *The expected contributions to the plan for the next annual reporting period is \$722,180.44.*
- (iv) *Information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity*

The estimated employer reserves financial position for the Pooled Employers at 30 June 2017 is:

Employer reserves only*	\$ millions	Asset Coverage
Assets	1,754.4	
Vested Benefits	1,775.9	98.8%

*excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.5% per annum
Salary inflation*	3.5% per annum
Increase in CPI	2.5% per annum

*plus promotional increases

The contribution requirement may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers.

The share of the deficit in the scheme is about 0.65% which is estimated to be in the order of \$490,200.

Additional contributions are estimated to remain in place until 30 June 2020 i.e. \$912,000 additional contributions remaining. However the Trustee will be reviewing the financial position of the fund on an annual basis and will provide updates.

- (v) *Indication of the level of participation of the entity in the plan compared with other participating entities*

Council's participation in the scheme compared with other entities is about 2.28% based on Council's current level of additional contributions of \$912,000 against total contributions of \$40m.

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2017 was \$744,562. The last valuation of the Fund was performed by Mr Richard Boyfield (Fellow of the Institute of Actuaries of Australia) on 2 December 2016, relating to the period ending 30 June 2016.

II. CivicRisk West and CivicRisk Mutual

Council is member of CivicRisk West & Mutual scheme providing insurance to Local Government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets and Liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

III. Bank Guarantees

Workers Compensation Self Insurance

Council is a self-insurer for Workers Compensation and as a condition of its self-insurance license requires either a Term Deposit or Bank Guarantee to be held based on Actuarial Assessment.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

Council Actuarial Assessment as at 30 June 2017 recommended that the current Bank Guarantee of \$1.78 million be increased to \$2.95 million. At the time of preparing the Annual Financial Statements the actuarial assessment and the recommended increase had not been reviewed and confirmed by State Insurance Regulatory Authority (SIRA).

Sydney Water Corporation

Council undertakes various roadworks in the Liverpool LGA which may, in some instances, require relocating Water mains belonging to Sydney Water Corporation. Prior to commencement of the work Council is required to lodge a bank guarantee or provide a cash bond to Sydney Water Corporation. As at 30 June 2017, Sydney Water Corporation held bank guarantees for a total amount of \$491k issued in its favour by Council bank.

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

1. Council has identified potential future claims resulting from non-compliance to building standards. Council engaged a consultant to review the process and required rectification works. At the time of reporting, a reliable estimate of potential liability is not available.

2. Council has identified future claims in relation to development restrictions as a result of land rezoning. Council and its legal representatives are working with affected land owners to resolve the claims. At the time of reporting a reliable estimate of potential liability is not available.

3. The Environment Protection Authority (EPA) audited several sites within the local government area and identified hazardous materials which requires remediation works. Council progressed works on priority sites, however the extent of remediation works required on other remaining sites is yet to be confirmed by EPA. Cost to Council to carry out these works is not known.

4. Council has been notified of Common Law Workers Compensation Claim proceedings. Cost of Compensation for economic loss due to on-going

incapacity to work as a result of the injury at work is not known.

5. Liverpool City Council jointly with Canterbury-Bankstown Council is in legal dispute with the Federal Government over the funding to repair a footbridge at Voyager Point. An engineering condition assessment conducted in 2015 revealed that significant repairs required to the bridge that is owned by the Federal Government. At the time of reporting cost estimates are not available.

6. Council in collaboration with NSW State Government is participating in Moorebank Voluntary Acquisition Scheme which involves progressive acquisition of 175 properties within the floodway of the Georges River. To date Council has purchased 116 properties and 59 properties remain to be purchased to complete the scheme and is currently projected to take another 50-70 years. The cost of acquisition is shared by the Council (33%) and NSW State Government (67%). At the time of reporting a reliable cost exposure to Council is not available.

7. In September 2016, Council entered into a Project Development Agreement with Built Development Pty Limited to develop the mixed-use Liverpool Civic Place project. The commencement of the project is contingent on gazettal of Liverpool LEP 2008 Amendment 52, failing which either party may serve a notice rescinding this deed. Following this event, the deed allows for Built to claim the cost of preparation and lodgement of the project master plan. At the time of reporting, both parties are in agreement that the delay is due to reasons outside Councils control and there is no indication of either party exercising their right to terminate.

(ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the matter and timing set out in those Plans.

(iii) Potential land Acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (& subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land under Roads that it owned or controlled up to & including 30/6/08

(ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau

Council's revenue Recognition policy for such income at year end is to accrue a percentage of outstanding notices based on history or actual fines

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	737	369	6,787	6,050
Total	737	369	6,787	6,050

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	2017	2016
Civic Risk	Joint Venture	554	612
Civic Risk West	Joint Venture	6,232	5,438
Total carrying amounts – material joint ventures and associates		6,786	6,050

(b) Details

Name of entity	Principal activity	Place of business
Civic Risk	Self Insurance	601 High Street , Penrith NSW 2750
Civic Risk West	Self Insurance	601 High Street , Penrith NSW 2750

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016	2017	2016
Civic Risk	554	612	9%	8%	9%	8%	6%	5%
Civic Risk West	6,232	5,438	16%	16%	15%	16%	10%	11%

(d) Summarised financial information for joint ventures and associates

	Civic Risk		Civic Risk West	
	2017	2016	2017	2016
Statement of financial position				
Current assets				
Cash and cash equivalents	506	171	2,935	2,960
Other current assets	6,239	4,176	13,722	9,749
Non-current assets	5,889	8,539	47,434	47,864
Current liabilities				
Financial liabilities (excl. accounts payable)	2,891	2,800	5,008	4,999
Other current liabilities	423	346	677	523
Non-current liabilities	2,830	2,454	20,429	22,856
Net assets	6,490	7,286	37,977	32,195
Reconciliation of the carrying amount				
Opening net assets (1 July)	7,286	7,517	32,195	29,943
Profit/(loss) for the period	(796)	(231)	7,455	3,498
Other adjustments to equity	–	–	(1,673)	(1,246)
Closing net assets	6,490	7,286	37,977	32,195
Council's share of net assets (%)	8.5%	8.4%	16.4%	16.9%
Council's share of net assets (\$)	554	612	6,233	5,438

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates (continued)

	Civic Risk		Civic Risk West	
	2017	2016	2017	2016
Statement of comprehensive income				
Income	8,302	8,551	7,066	7,421
Interest income	584	423	3,757	2,438
Interest expense	–	–	(17)	(17)
Other expenses	(9,682)	(9,205)	(3,351)	(6,344)
Profit/(loss) for period	(796)	(231)	7,455	3,498
Total comprehensive income	(796)	(231)	7,455	3,498
Share of income – Council (%)	7.2%	-3.8%	14.3%	15.5%
Profit/(loss) – Council (\$)	(57)	9	1,066	544
Total comprehensive income – Council (\$)	(57)	9	1,066	544
Dividends received by Council	–	–	272	183

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		1,501,294	1,549,037
a. Correction of prior period errors	20 (c)	–	(149,588)
b. Net operating result for the year		105,562	101,845
Balance at end of the reporting period		1,606,856	1,501,294
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		846,404	781,090
Total		846,404	781,090
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		781,090	705,778
– Revaluations for the year	9(a)	65,314	75,312
– Balance at end of year		846,404	781,090
TOTAL VALUE OF RESERVES		846,404	781,090

(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

(c) Correction of error/s relating to a previous reporting period

i) Valuation of Land Under Road (LUR)

Council has corrected the fair value of LUR as reported in Note 9 - Infrastructure, Property, Plant & Equipment. The value was decreased to reflect the restrictions on use of LUR. Council previously valued LUR using Englobo land values with no discount to reflect the restricted use. Australian Accounting Standards AASB 13 requires the fair value measurement to reflect restrictions on the asset. This change was applied retrospectively from 1 July 2015. See table below

ii) Recognition of newly identified Community Land

In June 2017, Council identified a few parcels of crown land and community land under its care and control, but not recorded in its financial statements. The land parcels recognised were valued at \$5.9 million and has been corrected retrospectively from 1 July 2015. See table below

	2016		
	30-Jun	Increase/ (Decrease)	30-Jun Restated
Income Statement (Extract)			
Revenue			
Grants & Contributions provided for capital purposes	156,246	-54,745	101,501
Total income from continuing operations	329,655	-54,745	274,910
Net Operating result for the year	156,590	-54,745	101,845
Net Operating Result for the year before Capital Grants and Contributions	344	-	344

	2016			2015		
	30-Jun	Increase/ (Decrease)	30-Jun Restated	30-Jun	Increase/ (Decrease)	30-Jun Restated
Statement of Financial Position						
Infrastructure PP&E	2,378,592	-204,333	2,174,259	2,140,955	-149,588	1,991,367
Retained Earnings	1,705,627	-204,333	1,501,294	1,549,037	-149,588	1,399,449

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Liverpool City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

\$ '000

Council utilises only a general fund for its operations.

Note 22. 'Held for sale' non-current assets and disposal groups

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 25/10/17.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Liverpool City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 24. Discontinued operations

\$ '000

Council has not classified any of its operations as 'discontinued'.

Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	3,305	2,866
Accumulated amortisation (1/7)	(1,778)	(1,282)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	1,527	1,584
Movements for the year		
– Purchases	83	439
– Amortisation charges	(525)	(496)
Closing values:		
Gross book value (30/6)	3,388	3,305
Accumulated amortisation (30/6)	(2,304)	(1,778)
Accumulated impairment (30/6)	–	–
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	1,084	1,527
¹ The net book value of intangible assets represent:		
– Software	1,084	1,527
	1,084	1,527

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council does not have any reinstatement, rehabilitation and restoration liabilities as at 30 June 2017

Liverpool City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. Fair value measurement

The Council measures the following assets and liabilities at fair value on a recurring basis.

- Financial assets - Investments
- Investment property
- Infrastructure, property, plant and equipment

Fair value hierarchy

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Council:

30 June 2016 Restated	Note	Level 1 Active Market (\$'000)	Level 2 Significant observable inputs (\$'000)	Level 3 Significant unobservable inputs (\$'000)	Total (\$'000)
Investments	6b	-	60,560		60,560
Investment properties	14	-	16,000		16,000
Infrastructure, Property, Plant and Equipment	9	-	-		
- Operational land		-	-	173,069	173,069
- Community land		-	-	293,860	293,860

Liverpool City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

30 June 2016	Note	Level 1 Active Market (\$'000)	Level 2 Significant observable inputs (\$'000)	Level 3 Significant unobservable inputs (\$'000)	Total (\$'000)
- Land under roads		-	-	13,863	13,863
- Buildings (Specialised and non-specialised)		-	-	147,592	147,592
- Roads, Bridges, Footpaths		-	-	994,224	994,224
- Storm water drainage		-	-	390,889	390,889
- Other Assets		-	-	160,762	160,762

30 June 2017	Note	Level 1 Active Market (\$'000)	Level 2 Significant observable inputs (\$'000)	Level 3 Significant unobservable inputs (\$'000)	Total (\$'000)
Investments	6b	-	59,192		59,192
Investment properties	14	-	-		-
Infrastructure, Property, Plant and Equipment²	9				
- Operational land		-	-	189,174	189,174
- Community land		-	-	357,964	357,964

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

30 June 2017	Note	Level 1 Active Market (\$'000)	Level 2 Significant observable inputs (\$'000)	Level 3 Significant unobservable inputs (\$'000)	Total (\$'000)
- Land under roads		-	-	16,099	16,099
- Buildings (Specialised and non-specialised)		-	-	174,584	174,584
- Roads, Bridges, Footpaths		-	-	1,047,026	1,047,026
- Storm water drainage		-	-	415,516	415,516
- Other Assets		-	-	130,586	130,586

The Council's financial assets relate investments in Floating Rate Notes and Mortgage Backed Securities. Investments in Floating Rate Notes and Mortgage Backed Securities are reported at market values. The information included under 6(b) for Term Deposits is considered sufficient to meet the Fair Value disclosures requirements.

The Council does not have any liabilities which are fair valued.

Financial Assets - Investments

Investments are measured at Level 2 Inputs.

Investments in Floating Rate Notes and Reverse Back Mortgages are carried at fair value. Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

The valuation method used for the reporting year for financial assets listed above is consistent with prior years' measurement techniques.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Investment Properties

During the reporting year Investment Property previously valued at \$16 million was reclassified to Operational Land at the fair value of \$14.5 million.

Infrastructure, Property, Plant & Equipment

Council reported Infrastructure, Property, Plant and Equipment using Level 3 Inputs- Unobservable inputs for which market data are not readily available.

Valuation processes

Council's infrastructure assets (Roads, Drainage, Bridges, Footpath and Parks assets) are annually indexed to reflect their current replacement cost (CRC). The written down value of Plant & Equipment, Office Equipment, Heritage and Library books are considered a close proxy for their fair values therefore are not revalued. Assets. A comprehensive revaluation of Infrastructure assets and Building, Community, Operational Land and Land under Roads assets is carried out every 5 years in accordance with the fair valuation policy as mandated by the Office of Local Government. Further details of the revaluations policy is provided under note 1(l).

Buildings

The Council engages external, independent and qualified valuers to determine the fair value of the Council's buildings. Buildings were last revalued in the 30 June 2013 financial year and the fair values were determined by Scott Fullarton Valuations Pty Ltd.

Gross Value of each building, which is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. The key unobservable input being the rate square metre has been benchmarked to construction costs of similar properties across the industry.

Land (Operational, Community and Land Under Road)

The Council engages external, independent and qualified valuers to determine the fair value of Operational Land. Operational land was last revalued as at 30 June 2013. Community Land is valued using the Valuer General Valuations and Land Under Road (LUR) is valued at the average unit rate derived from Valuer General (VG) land values discounted by 90%.

The fair value of Operational land has been determined by referencing it to current prices in an active market for similar properties. Where such information is not available, current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences are considered. Appropriate adjustments are also made for the inherent features of the property such as fire-prone, flood zonings and usability of the land.

Liverpool City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

The fair value for community land has been determined using the Valuer General (VG) land values. Land under roads has been valued based on the average Valuer General (VG) land values discounted by 90%.

Each class of assets for Property Plant and Equipment are revalued on a 3 to 5 year cycle using various methods; Independent external valuation for Buildings, Operational Land and Land under Road, Valuer General land values for Community Land, depreciated cost for Plant & Equipment, library books etc. Council uses external consultants for current replacement unit rates to fair value Infrastructure assets (Roads, Bridges Drainage etc.).

Current use of some of the assets noted above reflects the highest and best use.

Liverpool City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly comprising of the following :

- (a) Mayor;
- (b) Councillors;
- (c) Chief Executive Officer;
- (d) Directors; and
- (e) The Responsible Accounting Officer

The aggregate amount of KMP compensation included in the Income Statement is:

	Actual 2017
Compensation:	
Short-term benefits	2,668
Termination benefits	541
Total	3,209

b. Other transactions with KMP and their related parties/ entities

Nil. Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Liverpool City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. Council information and contact details

Principal place of business:

33 Moore Street
LIVERPOOL NSW 2170

Contact details**Mailing address:**

Locked Bag 7064
LIVERPOOL BC NSW 1871

Opening hours:

8:30am - 5:00pm
Monday to Friday

Telephone: 02 9821 9222

Facsimile: 02 9821 9456

Internet: <http://www.liverpool.nsw.gov.au>

Email: council@liverpool.nsw.gov.au

Officers**GENERAL MANAGER**

Kiersten Fishburn

RESPONSIBLE ACCOUNTING OFFICER

Vishwa Nadan

PUBLIC OFFICER

David Maguire

AUDITORS

Audit Office of New South Wales
Level15, 1 Margaret Street Sydney NSW 2000

Elected members**MAYOR**

Wendy Waller

COUNCILLORS

Ali Karnib
Tony Hadchiti
Charisma Kaliyanda
Karess Rhodes
Gus Ballot
Mazhar Hadid
Nathan Hagarty
Tina Ayyad
Geoff Shelton
Peter Harle

Other information

ABN: 84 181 182 471



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Liverpool City Council

To the Councillors of the Liverpool City Council

Opinion

I have audited the accompanying financial statements of Liverpool City Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Caroline Karakatsanis
Director, Financial Audit Services

27 October 2017
SYDNEY

Ms Wendy Waller
Mayor
Liverpool City Council
33 Moore Street
LIVERPOOL NSW 2170

Contact: Caroline Karakatsanis
Phone no: (02) 9275 7143
Our ref: D1726709/1670

27 October 2017

Dear Ms Waller

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Liverpool City Council**

I have audited the general purpose financial statements of the Liverpool City Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2017	2016	Variance
	\$m	\$m	%
Rates and annual charges revenue	118.9	113.0	5.2 
Grants and contributions revenue	128.8	119.3	8.0 
Operating result for the year	105.6	101.8	3.7 
Net operating result before capital amounts	(2.1)	0.3	(800.0) 

Rates and annual charges revenue increased by 5.2 per cent driven by an increase in rateable properties, approved rate pegging increase of 1.8 per cent and 10.8 per cent increase in domestic waste management service fees.

Grants and contributions revenue increased by \$9.5 million or 8.0 per cent from the previous year. This was mainly attributed to growth in section 94 developer contributions, dedicated assets and the \$4.5 million advance receipt of 2017-18 financial assistance grants in 2016-17.

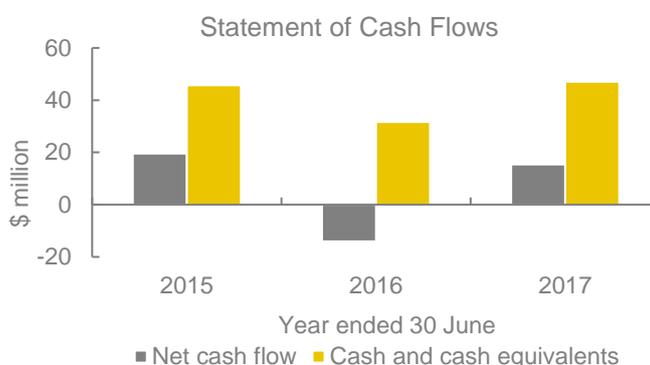
The operating result for the year remained steady with a 3.7 per cent increase from the previous year.

The net operating result before capital amounts was a deficit of \$2.1 million as compared to a surplus of \$344,000 in the previous year. This was largely due to the revaluation decrement of \$2.4 million for land under roads acquired during the year.

STATEMENT OF CASH FLOWS

Council's cash and cash equivalent's balance remained largely consistent over the last three years with a cash on hand balance of \$2.4 million as at 30 June 2017.

Negative net cash flows in 2015-16 was due to higher investment in infrastructure, property, plant and equipment whilst borrowings are being repaid at a steady rate over the last three years.



FINANCIAL POSITION

Cash and Investments

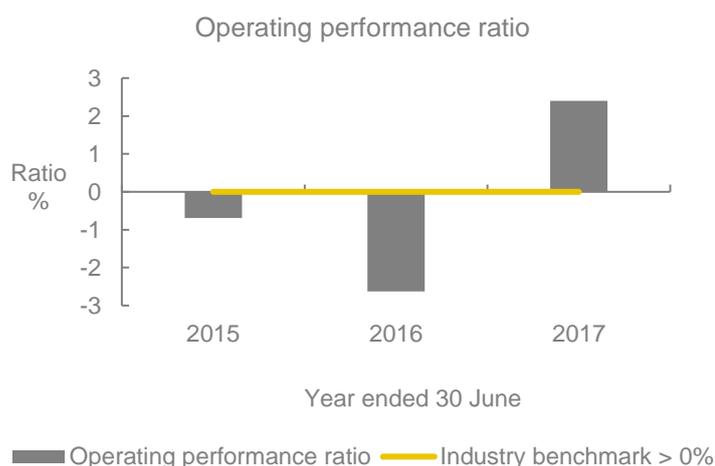
Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	125.0	98.5	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Externally restricted balances include unexpended developer contributions, domestic waste management and other specific purpose unexpended grants. Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. Internally restricted cash decreased due to a reduction in the general property reserve and parking strategy reserve. Unrestricted cash and investments was \$48.2 million which is available to provide liquidity for day-to-day operations of the Council.
Internal restrictions	8.1	15.6	
Unrestricted	48.2	44.1	
Cash and investments	181.3	158.2	

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

Operating performance ratio

- The Council's operating performance ratio has increased from negative 2.63 per cent in 2015-16 to being 2.4 per cent in 2016-17 above the industry benchmark, indicating they are containing operating expenditure within operating revenue. This is mainly due to the advance receipt of 2017-18 financial assistance grants in 2016-17.

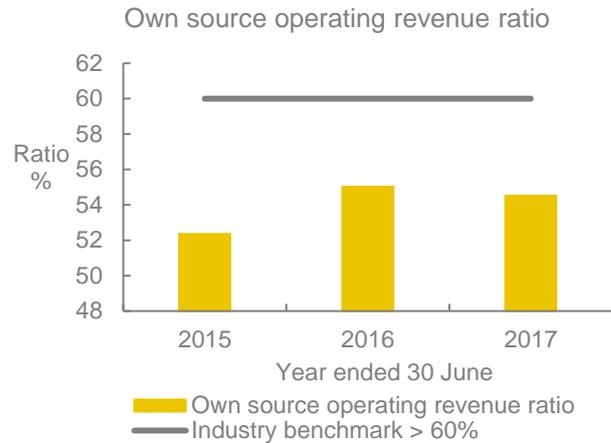


The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

Own source operating revenue ratio

- Council's own source operating revenue ratio has remained below the industry benchmark over the last three years. This is due to the high level of growth resulting in significant developer contributions and dedications.

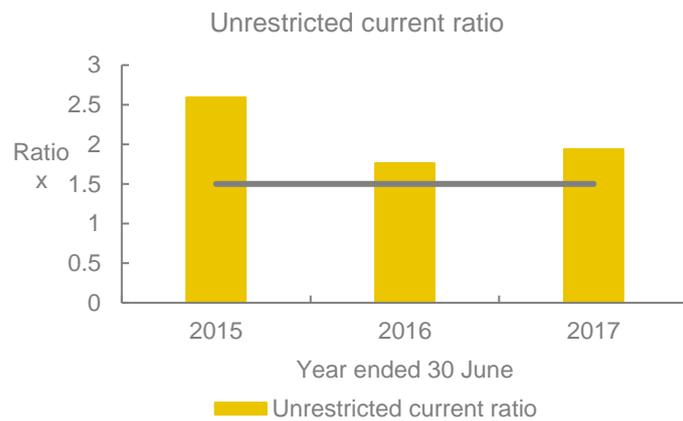
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

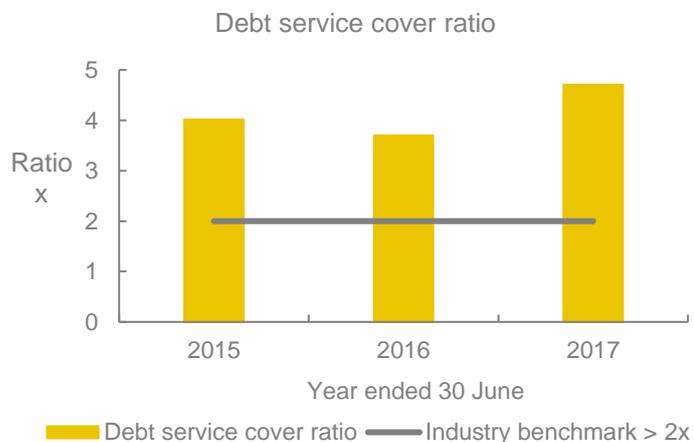
- Council's unrestricted current ratio increased to 1.94 in 2017 and is higher than the industry benchmark. This indicates that the Council has sufficient liquidity to meet its current liabilities when they fall due. The ratio excludes current assets and liabilities subject to external restrictions.

The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- Council's debt service cover ratio exceeded the industry benchmark of 2.0 times over the past three years. In 2017, this ratio increased from 3.7 times to 4.7 times due to the advance receipt of 2017-18 Financial Assistance Grants and increase in rates, annual charges, user charges and fees revenue. The ratio indicates that Council has adequate revenue to cover the principal repayments and borrowing costs.

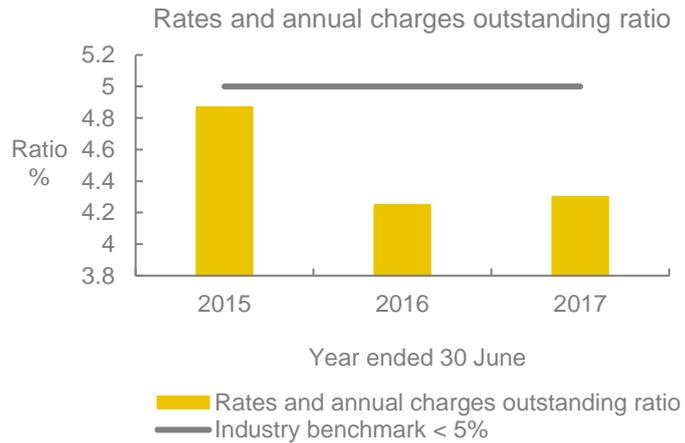


The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.

Rates and annual charges outstanding ratio

- The rates and annual charges ratio has been stable in the past two years and better than benchmark, indicating that the Council's rate recovery measures continue to be effective in collecting and reducing outstanding debts.

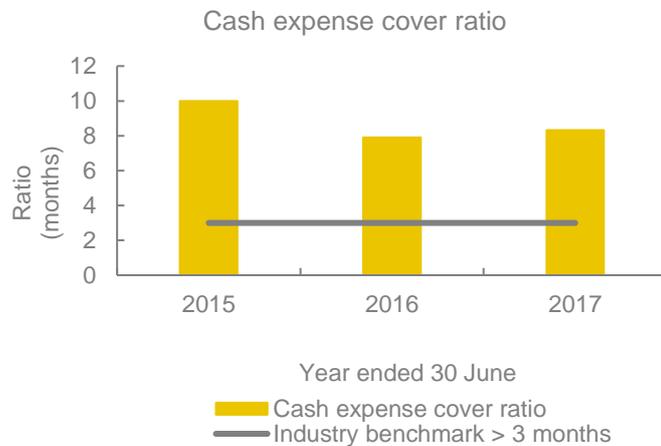
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Due to the significant cash and investment balance as at 30 June 2017, the Council had the capacity to cover 8.3 months of cash expenditure without additional cash inflows. This is in excess of the industry benchmark minimum of 3 months.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than 3 months.

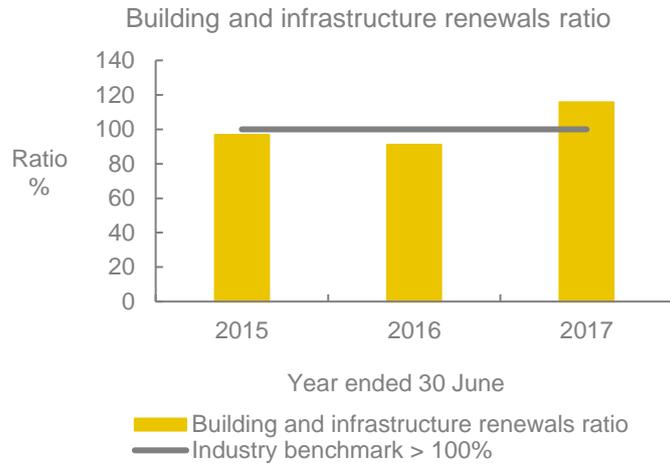


Building and infrastructure renewals ratio

- In 2016-17, the Council met the industry benchmark for the building and infrastructure renewals ratio.

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Caroline Karakatsanis
Director, Financial Audit Services

27 October 2017
SYDNEY

cc: Ms Kiersten Fishburn, Chief Executive Officer
Mr Andrew McLeod, Chair of Audit, Risk and Improvement Committee
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Liverpool City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



Liverpool City Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Other Business Activities	3
Statement of Financial Position – Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
4. Auditor’s Report	9

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a ‘level playing field’ between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- (iv) In preparing these financial statements for Council’s self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council’s borrowing position by comparison with commercial rates).
-

Liverpool City Council

Special Purpose Financial Statements for the year ended 30 June 2017

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,

To the best of our knowledge and belief, these financial statements:

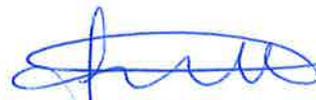
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

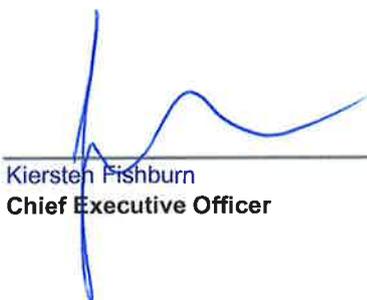
Signed in accordance with a resolution of Council made on 25 October 2017.



Wendy Waller
Mayor



Tina Ayyad
Deputy Mayor



Kiersten Fishburn
Chief Executive Officer



Vishwa Nadan
Responsible Accounting Officer

Liverpool City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

Carpark

Category 2

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	–	–
User charges	1,370	1,284
Fees	–	–
Interest	–	–
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	–	–
Total income from continuing operations	1,370	1,284
Expenses from continuing operations		
Employee benefits and on-costs	67	79
Borrowing costs	–	–
Materials and contracts	158	142
Depreciation, amortisation and impairment	36	36
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	1,129	1,038
Total expenses from continuing operations	1,390	1,295
Surplus (deficit) from continuing operations before capital amounts	(20)	(11)
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	(20)	(11)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(20)	(11)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(20)	(11)
Plus opening retained profits	(2,506)	(2,495)
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	–
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	–	–
– Dividend paid	–	–
Closing retained profits	(2,526)	(2,506)
Return on capital %	-7.0%	-3.4%
Subsidy from Council	27	18

Liverpool City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Carpark

Category 2

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	–	–
Receivables	–	–
Inventories	–	–
Total Current Assets	–	–
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	284	321
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	284	321
TOTAL ASSETS	284	321
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	27	29
Total current liabilities	27	29
Non-current liabilities		
Payables	2,783	2,798
Borrowings	–	–
Provisions	–	–
Other Liabilities	–	–
Total non-current liabilities	2,783	2,798
TOTAL LIABILITIES	2,810	2,827
NET ASSETS	(2,526)	(2,506)
EQUITY		
Retained earnings	(2,526)	(2,506)
Revaluation reserves	–	–
Other reserves	–	–
Council equity interest	(2,526)	(2,506)
Non-controlling equity interest	–	–
TOTAL EQUITY	(2,526)	(2,506)

Liverpool City Council

Special Purpose Financial Statements for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6

Liverpool City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

Nil

Category 2

(where gross operating turnover is less than \$2 million)

a. Carpark

Warren service way carpark

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars.

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Liverpool City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the ‘owner’ of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 30% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face ‘true’ commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council’s borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, ‘subsidies disclosed’ (in relation to National Competition Policy) represents the difference between revenue generated from ‘rate of return’ pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses ‘would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field’.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

Liverpool City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statement
Liverpool City Council

To the Councillors of the Liverpool City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Liverpool City Council's (the Council) Declared Business Activity (Car Park), which comprise the statement of financial position of Declared Business Activity as at 30 June 2017, the income statement of Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activity declared by Council, and the Statement by Councillors and Management.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2017, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Caroline Karakatsanis
Director, Financial Audit Services

27 October 2017
SYDNEY

Liverpool City Council

SPECIAL SCHEDULES
for the year ended 30 June 2017



Liverpool City Council

Special Schedules for the year ended 30 June 2017

Contents		Page
Special Schedules¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 7	Report on Infrastructure Assets	5
Special Schedule 8	Permissible Income Calculation	9

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Liverpool City Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,787	–	–	(1,787)
Administration	40,489	4,700	2,169	(33,620)
Public order and safety				
Fire service levy, fire protection, emergency services	1,994	189	–	(1,805)
Beach control	–	–	–	–
Enforcement of local government regulations	1,782	3,629	–	1,847
Animal control	1,049	445	–	(604)
Other	549	–	–	(549)
Total public order and safety	5,374	4,263	–	(1,111)
Health	864	841	–	(23)
Environment				
Noxious plants and insect/vermin control	159	29	–	(130)
Other environmental protection	792	1,749	–	957
Solid waste management	29,060	28,544	–	(516)
Street cleaning	3,455	–	–	(3,455)
Drainage	4,806	1,501	450	(2,855)
Stormwater management	–	–	–	–
Total environment	38,272	31,823	450	(5,999)
Community services and education				
Administration and education	1,868	–	–	(1,868)
Social protection (welfare)	1,493	565	–	(928)
Aged persons and disabled	121	–	–	(121)
Children's services	5,408	6,110	–	702
Total community services and education	8,890	6,675	–	(2,215)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	2,964	765	–	(2,199)
Town planning	9,683	14,370	35,966	40,653
Other community amenities	3,332	529	–	(2,803)
Total housing and community amenities	15,979	15,664	35,966	35,651
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

Liverpool City Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	8,667	687		(7,980)
Museums	136		–	(136)
Art galleries	1,462	350	–	(1,112)
Community centres and halls	3,559	1,060	–	(2,499)
Performing arts venues	–	128	–	128
Other performing arts	–	–	–	–
Other cultural services	115	–	–	(115)
Sporting grounds and venues	32	–	–	(32)
Swimming pools	1,870	52	–	(1,818)
Parks and gardens (lakes)	17,144	28	30	(17,086)
Other sport and recreation	5,503	940	–	(4,563)
Total recreation and culture	38,488	3,245	30	(35,213)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	–	–	–	–
Transport and communication				
Urban roads (UR) – local	20,169	2,119	57,347	39,297
Urban roads – regional	–	–	438	438
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	19	–	–	(19)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	810	3,096	91	2,377
Footpaths	1,476	–	30	(1,446)
Aerodromes	2,923	–	–	(2,923)
Other transport and communication	132	159	10	37
Total transport and communication	25,529	5,374	57,916	37,761
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	2,949	1,887	8,425	7,363
Total economic affairs	2,949	1,887	8,425	7,363
Totals – functions	178,621	74,472	104,956	807
General purpose revenues ⁽¹⁾		104,018		104,018
Share of interests – joint ventures and associates using the equity method	–	737		737
NET OPERATING RESULT ⁽²⁾	178,621	179,227	104,956	105,562

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Liverpool City Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	5,889	28,558	34,447	–	5,870	–	–	1,512	6,069	22,508	28,577
Other	–	–	–							–	–
Total loans	5,889	28,558	34,447	–	5,870	–	–	1,512	6,069	22,508	28,577
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	1,200	4,500	5,700	–	1,200	–	–	–	1,400	3,100	4,500
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	1,200	4,500	5,700	–	1,200	–	–	–	1,400	3,100	4,500
Total debt	7,089	33,058	40,147	–	7,070	–	–	1,512	7,469	25,608	33,077

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Liverpool City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Buildings	Admin Building	–	651	562	17,871	50,067	0%	0%	100%	0%	0%
	Aquatic Centres	602	555	629	15,587	42,729	0%	90%	7%	3%	0%
	Bush Fire / SES	434	52	79	2,587	4,015	44%	30%	3%	23%	0%
	Childcare Centres	–	165	210	5,931	12,686	0%	91%	9%	0%	0%
	Commercial Properties	–	146	51	183	11,255	50%	0%	50%	0%	0%
	Community Centres	892	823	559	40,423	63,293	29%	49%	19%	3%	0%
	Heritage Buildings	–	492	129	2,239	37,875	0%	85%	15%	0%	0%
	Libraries, Museums	–	406	564	46,836	31,240	85%	15%	0%	0%	0%
	Multi Level Car Parks	–	340	158	13,833	26,191	0%	65%	35%	0%	0%
	Parks Buildings / Structures	530	488	135	25,292	37,561	15%	42%	40%	3%	0%
	Works Depot	1,879	102	320	3,802	7,840	37%	0%	12%	51%	0%
	Sub-total	4,338	4,222	3,395	174,584	324,753	18.7%	46.8%	31.7%	2.8%	0.0%
Roads	Roads Formation				65,283	65,743	56%	25%	10%	5%	4%
	Sealed Roads Surface	36,505	6,733	8,117	472,409	558,397	56%	25%	10%	5%	4%
	Sealed Roads Structure				94,732	123,936	56%	25%	10%	5%	4%
	Kerb and Gutter				522	1,073	181	171,259	214,583	20%	45%
	Footpaths and Cycleways	739	1,203	542	110,104	133,630	31%	36%	30%	3%	0%
	Bridges and Culverts	1,421	513	19	46,148	57,009	30%	43%	23%	5%	0%
	Road Structures	300	577	538	19,507	21,307	90%	7%	2%	1%	0%
	Road Furniture				49,055	61,119	9%	65%	25%	0%	0%
	Off Street Carparks	346	114	27	18,529	22,870	26%	36%	35%	3%	0%
	Sub-total	39,832	10,213	9,424	1,047,026	1,258,594	43.7%	32.3%	17.9%	3.7%	2.4%

Liverpool City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Stormwater drainage	Reticulation Pipe				316,230	391,393	59%	28%	10%	1%	2%
	Pits	7,845	735	568	47,389	53,947	43%	50%	7%	0%	0%
	Headwalls and Culverts				10,663	13,890	30%	27%	36%	5%	2%
	Basins	–	295	38	32,136	32,731	35%	29%	36%	0%	0%
	Wetlands	–	–	–	–	–	35%	29%	36%	0%	
	Gross Pollutant Traps	–	253	151	9,098	10,115	47%	52%	1%	0%	0%
	Sub-total	7,845	1,283	757	415,516	502,076	54.6%	30.9%	11.9%	0.9%	1.6%
Open space/recreational assets <i>(includes other Structures)</i>	Sporting Fields and Ovals	916	714	2,062	8,950	11,446	4%	87%	9%	0%	0%
	Sporting Facilities				6,196	7,863	47%	30%	16%	4%	4%
	Parks Infrastructure Assets	366	1,176	2,577	37,485	45,800	26%	53%	19%	1%	1%
	Parks Green Spaces										
	Playground Equipment	979	318	516	21,816	27,679	36%	46%	11%	7%	1%
	Sub-total	2,261	2,208	5,155	74,447	92,788	28.0%	53.2%	15.3%	2.7%	0.8%
TOTAL – ALL ASSETS	54,276	17,925	18,731	1,711,573	2,178,211	41.8%	35.0%	18.5%	2.9%	1.8%	

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required

4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Liverpool City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	29,143	115.79%	>= 100%	91.14%	96.71%
Depreciation, amortisation and impairment	25,169				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	54,276	3.31%	< 2%	3.75%	3.91%
Net carrying amount of infrastructure assets	1,641,914				
3. Asset maintenance ratio					
Actual asset maintenance	18,731	1.04	> 1.00	1.06	1.10
Required asset maintenance	17,925				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	54,276	2.49%		2.82%	
Gross replacement cost	2,178,211				

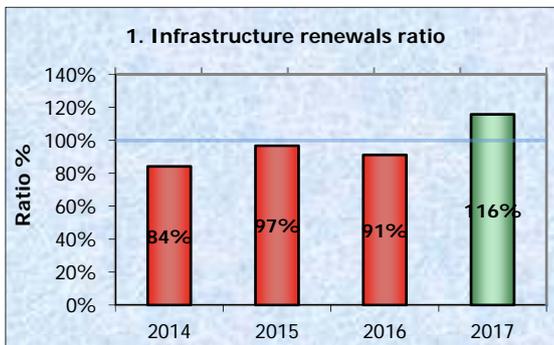
Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Liverpool City Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



Benchmark: ——— 100.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of asset renewals ratio

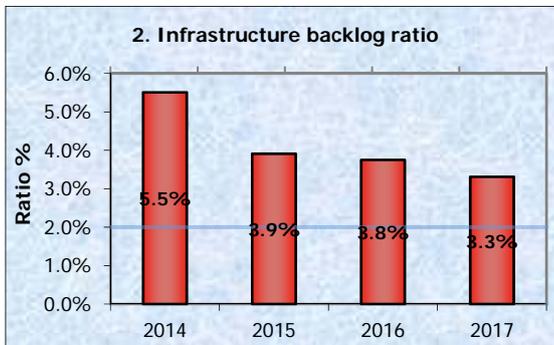
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2016/17 result

2016/17 Ratio 115.79%

The Infrastructure Asset Renewal Ratio improved from previous periods and is above the local government industry benchmark

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: ——— 2.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of infrastructure backlog ratio

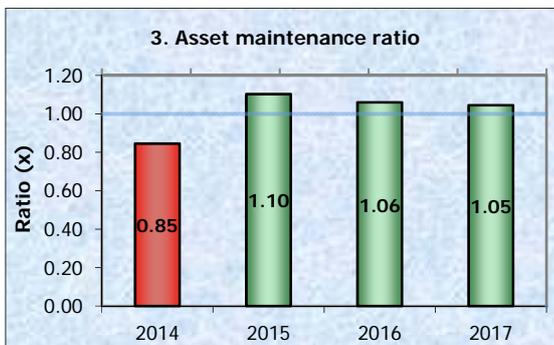
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2016/17 result

2016/17 Ratio 3.31%

The infrastructure Backlog Ratio shows an improvement in the backlog compared to the previous period. The trend indicates Council's continued efforts to improve the condition of its infrastructure assets

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: ——— 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of asset maintenance ratio

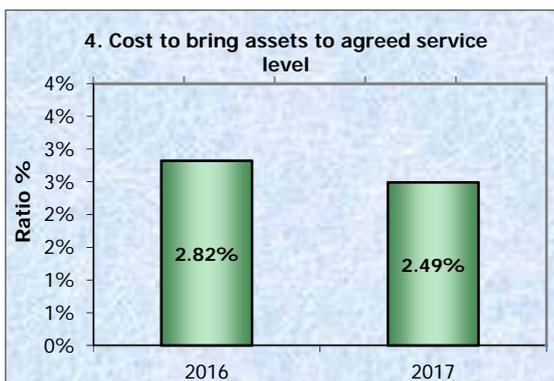
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2016/17 result

2016/17 Ratio 1.04 x

The Asset Maintenance Ratio is above the OLG benchmark indicating council's continued focus on good asset management practice

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 2016/17 result

2016/17 Ratio 2.49%

This ratio indicates an improvement on the infrastructure backlog as compared to the previous period, measured as a proportion of the gross replacement cost (GRC) of total infrastructure assets as at the end of the financial year.

Liverpool City Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	89,800	92,488
Plus or minus adjustments ⁽²⁾	b	1,034	1,947
Notional general income	c = (a + b)	90,834	94,435
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	1,635	1,417
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	92,469	95,852
Plus (or minus) last year's carry forward total	l	19	
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	19	–
Total permissible income	o = k + n	92,488	95,852
Less notional general income yield	p	92,488	95,838
Catch-up or (excess) result	q = o – p	(0)	14
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s		
Carry forward to next year	t = q + r – s	(0)	14

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Liverpool City Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Liverpool City Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Liverpool City Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Caroline Karakatsanis
Director, Financial Audit Services

27 October 2017
SYDNEY